Auditor's Annual Report for City of Lincoln Council

Year-ended 31 March 2025

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November 2025

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Our audit report is made solely to the members of City of Lincoln 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.

01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of 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 (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:

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

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

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

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

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

Findings

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

Financial statements	We issued an unmodified opinion on the Council's financial statements on 28 November 2025. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council. We have provided further details of the key risks we identified and our response on page 9.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 10.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

Executive Summary

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

Public interest reports

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

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

We have not issued a Public Interest Report this year

Judicial review/Declaration by the courts

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

We have not applied to the courts.

Recommendations

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

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

We 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 2025 and of the Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council's financial statements on 28 November 2025

The full audit report is included in the Council's Annual Report and Accounts for 2024/25 which can be obtained from the Council's website.

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

Audit of the financial statements

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
Valuation of Land and Buildings 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.	We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used. We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.	We identified one misstatements relating to this risk where the valuation of Council dwellings was understated by £894k. This was corrected by management. No material misstatements were identified. We considered the estimate to be balanced based on the procedures performed.
Valuation of investment property 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.	We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used. We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.	We did not identify any material misstatements We considered the estimate to be balanced based on the procedures performed.

Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We evaluated the design and implementation of controls over journal entries. We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates indicate a possible bias. We analysed all journals through the year and focused our testing on those with a higher risk.	We did not identify any instances of management override of controls. We did not identify any instances of management bias. We did not identify any material misstatements relating to this risk.
Valuation of post retirement benefit obligations The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.	We have evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations. 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. We have agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation. 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. 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; We have confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;	We identified one misstatement relating to the accounting treatment of the interest element of the asset ceiling. Management corrected this. We did not identify any material misstatements relating to this risk. We evaluated the competency and objectivity of the Scheme actuaries, to confirm their qualifications and the basis for their calculations with no issues noted. 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. The overall assumptions are considered to be appropriate and balanced in relation KPMG's central rates but within KPMG's normally acceptable range overall.

03

Value for Money

Value for Money

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:

- **Financial sustainability**: How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

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

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

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	16	19
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant risks identified	No significant risks identified	No significant risks identified
Direction of travel	⇔	⇔	⇔

Value for Money

National context

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

Local Government Reorganisation

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

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

Financial performance

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

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

Local context

- The Council's General Fund achieved a surplus at year end (£147k), with reserves of £12.3m, of which £2.4m were not earmarked.
- The Housing Revenue Account also achieved a surplus at year end (£52k), with reserves of £8.9m, of which £1.2m were not earmarked.
- As part of its Capital Plan the Council spent £35.3m against a budget of £39.4m, resulting in an underspend of £4.1m. This was largely driven by re-profiling of externally managed schemes and construction delays
- There were no adverse inspectorate findings in the year.
- We have not identified any issues arising from quality of services provided by the Council.
- The Council submitted its initial plans for Local Government Reorganisation to central government in line with the national deadline. A second submission will be required in November 2025.
- In April 2025, the Council's leisure centres were forced to close temporarily as the charity contracted to run the service ceased to trade. The Council have since appointed a temporary provider following a procurement exercise and as at July 2025 the leisure centres were reopened.

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 2024-25, the preparation of the budget began in October 2023 with draft budgets approved in January 2024. 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 and Executive, 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 2024-25, the Council set a balanced budget, with a small planned surplus of £147k in General Fund. At year-end the Council achieved the surplus of £147k in line with the budget. Key positive movements in this surplus were increased car park income (£591k), reduced borrowing costs (£319k) and release of the inflation volatility reserve (£184k). These were offset by some cost increases in areas such as non-recoverable accommodation and housing costs (£288k) and decrease in net performance for the crematorium (£387k). Overall the Council achieved closing General Fund reserves of £2.39m, 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 2024-25 plan included the requirement to deliver savings of £125k. 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 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 quarter three, the Council was reporting secured savings total £89k for the General Fund, resulting in an under-achievement of £36k 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 risk management framework and is discussed at the Committee meetings regularly, meanwhile the Performance Scrutiny Committee has oversight of the SRR, reported and monitored quarterly. At Q3 delivery of the MTFS remains red rated risk in the SRR whilst failure to deliver TFS is rated amber. Long and short-term mitigating actions are included and there is clear evidence of regular review and update within Performance Scrutiny Committee.

2025/26 and the Medium Term Financial Strategy (MTFS)

- The Council's net General Fund Revenue Budget for 2025/26 was set at £14.832m including a planned contribution from balances of £129k resulting in an estimated level of reserves at the year-end of £2.5m, which is above the Council's stated prudent minimum range of c.£1.5-£2m. As at Q1 of 2025/26, the General Fund was projecting a forecast overspend of £25.9k.

Financial Sustainability

2025/26 and the Medium Term Financial Strategy (MTFS) continued

Council's Housing Revenue Account (HRA) for 25/26 net revenue budget was set with a planned contribution from balances of £112k, resulting in estimated reserves at year-end of £1.3m, after allowing for the 2023/24 outturn position. As at Q1the HRA is currently projecting a forecast underspend of £60.3k which would result in HRA balances of £1.35m as at the end of 2025/26. This position maintains balances above the prudent minimum of c.£1m.

As at November 2025, 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 2030/31.

Reserves

Reserve	2024/25 (£m)	2023/24 (£m)
General Fund	2.4	2.2
General Fund Earmarked	9.9	9.3
Total General Fund Balance	**12.3**	**11.5**
HRA	1.2	1.1
HRA Earmarked	7.7	6.7
Total HRA Balances	**8.9**	**7.8**

The Council's usable reserves of £54.3m include General Fund reserves of £12.3m and HRA reserves of £8.9m, these rose in 2024/25. There is relatively small planned usage of General Fund and HRA reserves in both 2025/26 and 2026/27 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:	2024-25	2023-24
Planned surplus/(deficit), excluding HRA	£147k	£191k
Actual surplus/(deficit), excluding HRA	£147k	£175k
Planned HRA surplus/(deficit)	(£101k)	£59k
Actual HRA surplus/(deficit)	£52k	£53k
Usable reserves	£54.3m	£51.3m
Gross debt compared to the capital financing requirement	Debt: 0.69:1 (CFR: £151.9m)	0.72:1 (CFR £149.8m)
Year-end borrowings	£105m	£107.7m
Year-end cash position	£1250k	£130k

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 brought 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 Q3 monitoring there were 15 risks contained within the strategic risk register; 7 were rated high (almost certain/critical) and 8 were rated medium (probable/major). The key change at Q4 was to increase the risk rating *for Risk 3 - Failure to deliver the Towards Financial Sustainability Programme.* This reflects the increasing cost pressures faced by the council and potential impact on meeting financial targets in the coming years. 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. Performance Scrutiny 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

- The Council undertake a number of measures to prevent and detect fraud. There is a Counter Fraud policy strategy which complies with the requirements of the code, this sets out key actions for the Council to ensure compliance. This was reviewed and updated in April 2024. 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. The annual fraud report was presented to the Audit Committee in June 2025, including the counter fraud action plan and fraud risk register. Overall cases in 24/25 slightly down on 23/24 but the areas of fraud remained broadly similar, with the majority being in relation to Housing Benefit and Council Tax. We note that the Council undertook a review of single person discounts (SPDs) in October 2024 and as result removed 1039 SPDs from March 2025.
- The Council has ongoing actions in relation to the Fraud Action Plan, with continued focus on raising awareness of scams and counter fraud with staff, Members and within the community. The Council also has a service level agreement with Lincolnshire County Council to provide counter fraud services.

Governance

Risks related to finance

- The 2024-25 financial plan, as part of the MTFS, went through several levels of review prior to approval by the Council in March 2024. 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 24/25 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 Regs

- 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.

Code 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.

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 Performance and Scrutiny. The majority of decision-making takes place at Executive while decisions taken by full Council are mainly around the MTFS and overall policy/strategic plan and constitutional matters. All key decision records are available to view on the Council’s website.
- There have been a number of key decisions made by the Council in year, which demonstrate the Council’s key decisions are made following the appropriate process – these include:
  - Western Growth Corridor project (now Charterholme as of December 2024) and;
  - Changes to the Leisure Services contract

We reviewed the arrangements in place for these key decisions and did not identify any indication of significant risks of weakness.

Governance

Decision making – Leisure Services

- During the course of 24/25 the Council was aware of the financial difficulties faced by Active Nation – leisure services provider - and had proposed a support package in January 2025 which was rejected by Active Nation and the Chairty ultimately went into liquidation in April 2025 and this forced the closure of the Council's leisure centres at Birchwood and Yarborough.
- The Council engaged the support of external advisers and together complied proposals for appointing an interim provider, approved by the executive in April 2025. An expedited tender process was undertaken and May 2025 the Council approved the appointment of the interim contract to Greenwich Leisure Limited. By July the leisure centres had been reopened.

Decision making – Western Growth Corridor

- The Western Growth Corridor/Charterholme project has had some significant developments in 24/25. The Council approved the commencement of work on the eastern access road in July 2024 and confirmed the conditions under which this would be subsequently adopted by Lincolnshire County Council. The delivery of the bridge has also been confirmed and work is progressing in line with plan, with completion date estimated for March 2026. The Council then entered into an agreement with Lindum Developments Ltd in July 2024 for the delivery of the first 52 homes following executive approval.
- This is a large project for the Council to manage and deliver and presents a significant risks to the Council. There are project management arrangements in place, including agreements with key partners and contractors, which help to mitigate these risks. At each stage of the project there are opportunities for review and scrutiny of progress, and appropriate approvals within the Councils management and committee structure. The agreements with contractors also contain break clauses which allow the Council to mitigate the risk. We will continue to monitor the arrangements in place as the project progresses.

Conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with governance.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None identified	None identified
Head of Internal Audit Opinion	Overall Performing well	Overall Performing well
Local Government Ombudsman findings	No significant findings	No significant findings
Housing Ombudsman findings	No significant findings	No significant findings

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 and 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. The Q4 performance reports were reviewed at the May Performance Scrutiny Committee; of the 87 performance measures were reported, 64 had targets attached and 44 were either acceptable of meeting/exceeding the target. 13 were red rated as below target and 23 were volumetric. There were action plans in place for all metrics below target. For example, for performance measure *AH 1 - Number of affordable homes delivered,* work has now been completed on the Hermit Mews Housing development, a redevelopment project funded by the Council and Homes England.
- 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.

Improving economy, efficiency and effectiveness

Benchmarking

- The Council participates in benchmarking activities through LG Futures which includes service unit costs, actuals and budgets, fees & charges and local taxation. Service unit costs are further analysed and used as a tool to support the development of future transformation and savings programme development.
- Per the benchmarking report to CMT in October 2024, it was noted that the Council's spend per resident is greater than many comparable authorities, with net expenditure per resident budgeted to be 35.5% higher than the nearest neighbour average. It was ranked 3rd highest out of the 16 authorities in the group. The report does explain that after the data is adjusted for some distortions the council's performance improves slightly to 5th highest out of the 16 authorities in the group. The Council continues to operate within its budget and we have not identified any indication that the level of expenditure is unsustainable.

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/Charteholme and this is managed through a Delivery Agreement and joint Board, as detailed on page 18. We have also seen evidence of how the Council worked with other partners on issues which could impact on the City, including emerging issues.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with improving economy, efficiency and effectiveness kpmg.com/uk