Public Document Pack

West Lindsey District Council

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SUPPLEMENT AGENDA

This meeting will be webcast live and the video archive published on our website

Governance and Audit Committee
Tuesday, 22nd April, 2025 at 2.00 pm
Council Chamber - The Guildhall

Members:

Councillor Stephen Bunney (Chairman)
Councillor David Dobbie (Vice-Chairman)
Councillor Baptiste Velan (Vice-Chairman)
Councillor John Barrett
Councillor Mrs Jackie Brockway
Councillor Christopher Darcel
Councillor Sabastian Hague
Councillor Mrs Angela Lawrence
Alison Adams
Andrew Morriss

1. **Public Reports for Consideration**

Ian Knowles
Head of Paid Service
The Guildhall
Gainsborough

Monday, 14 April 2025

Agendas, Reports and Minutes will be provided upon request in the following formats:

Large Clear Print: Braille: Audio: Native Language

West Lindsey District Council	**Governance and Audit Committee**
	22 April 2025

Subject: Internal Audit Progress Report – Quarter 4 2024/25

Report by:	RSM UK Risk Assurance Services LLP
Contact Officer:	Lisa Langdon Assistant Director People and Democratic Services Aaron McDonald, RSM UK Robert Barnett, RSM UK
Purpose / Summary:	The report gives Members and update of progress by our Internal Audit partner.

RECOMMENDATION(S):

That Members consider the content of the report and identify any actions required

IMPLICATIONS

Legal: N/A

Financial : N/A

Staffing :N/A

Equality and Diversity including Human Rights : *None arising from this report*

Data Protection Implications : *None arising from this report*

Climate Related Risks and Opportunities: *None arising from this report*

Section 17 Crime and Disorder Considerations: *None arising from this report*

Health Implications: *None arising from this report*

Title and Location of any Background Papers used in the preparation of this report : *None arising from this report*

Risk Assessment :
None arising from this report

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	**x**

WEST LINDSEY DISTRICT COUNCIL

Internal Audit Progress Report

22 April 2025

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

CONTENTS

Appendices

KEY MESSAGES

The internal audit plan for 2024/25 was approved by the Governance and Audit Committee at the 16 April 2024 meeting. This report provides an update on progress against the plan and summarises the results of our work to date.

We have issued three final reports as final as part of the internal audit plan since the Governance and Audit Committee meeting in January 2025. These are Project and Programme Management (7.24/25), Procurement (8.24/25) and Customer Experience Strategy (9.24/25).

- Details of the progress made against the internal audit plan are included at Appendix A. **[To note]**
- Fieldwork dates have been agreed with management for all of the internal audits scheduled for 2024/25 to ensure that all fieldwork will be completed by the end of the year, and our Head of Internal Audit Opinion can be provided at the first meeting of the 2025/26 financial year. **[To note]**
- There has been one amendment to the internal audit plan since the last meeting, the Emergency Planning / Business Continuity Planning review has been postponed to January 2026 and therefore will be undertaken as part of the 2025/26 internal audit plan. The delay is due to the current capacity issues within the team as a result of the interim structure and the audit would therefore be more beneficial when the new structure has been formalised. This was agreed with the Chief Executive and Director - Change Management, ICT and Regulatory Services. **[To note]**

Appendices

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APPENDIX A: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2024/25

Assignment and Executive Lead	Status / Opinion issued	Actions agreed				Target Governance and Audit Committee meeting	Actual Governance and Audit Committee meeting
		Advisory	Low	Medium	High		
IT Operations	Final Report Issued / Reasonable Assurance	0	2	3	0	September 2024	September 2024
Follow Up 1	Final Report Issued / Reasonable Progress	0	8	0	0	September 2024	September 2024
Staff Appraisal Process	Final Report Issued / Reasonable Assurance	0	3	2	0	November 2024	November 2024
Risk Management	Final Report Issued / Reasonable Assurance	2	6	3	0	November 2024	November 2024
Purchasing and Creditors	Final Report Issued / Substantial Assurance	0	4	0	0	November 2024	January 2025
Complaints Handling	Final Report Issued / Reasonable Assurance	0	4	2	0	January 2025	January 2025
Project and Programme Management	Final Report Issued / Substantial Assurance	0	2	1	0	January 2025	April 2025
Procurement	Final Report Issued / Reasonable Assurance	0	1	2	0	January 2025	April 2025
Combined Assurance	Report Issued	-	-	-	-	January 2025[1]	April 2025
Customer Experience Strategy	Final Report Issued / Substantial Assurance	1	0	0	0	March 2025	April 2025
Emergency Planning / BCP	Audit moved to 2025/26 internal audit plan	-	-	-	-	April 2025	N/A
Follow Up 2	Audit Commencing 17 March 2025					April 2025	-

[1] This audit was delayed from November 2024 to January 2025 to allow for an approach to be agreed between RSM and the Management Team.

APPENDIX B: OTHER MATTERS

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

As part of the Quality Assessment and Improvement Programme, none of your files were selected for Internal Quality Monitoring programme during 2024/25. From the results of the reviews undertaken across our client base, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Following the completion of each product, we include a link to a brief survey in each report we issue.

APPENDIX C: KEY PERFORMANCE INDICATORS

Delivery				Quality			
	Target	**Actual**	**Notes***		**Target**	**Actual**	**Notes***
Audits commenced in line with original timescales*	Yes	Yes		Conformance with PSIAS	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	10 working days	*6 working days (average)*		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 10 days of draft report	10 working days	*14 working days (average)*		Response time for all general enquiries for assistance	2 working days	*2 working days*	
Final report issued within 3 days of management response	3 working days	*2 working days (average)*		Response for emergencies and potential fraud	1 working day	*N/A*	

Notes

This takes into account changes agreed by management and the Governance and Audit Committee during the year. Through employing an agile or a flexible approach to our service delivery we are able to respond to your assurance needs.

FOR FURTHER INFORMATION CONTACT

Rob Barnett, Head of Internal Audit

Email: Robert.Barnett@rsmuk.com

Aaron Macdonald, Managing Consultant

Email: Aaron.Macdonald@rsmuk.com

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AUDIT OUTCOME OVERVIEW – PROJECT AND PROGRAMME MANAGEMENT

Conclusion:

The PMO have set up a robust Project Management Framework which provides project managers, project team members, stakeholders and WLDC officers with clear instructions, best practices, and guidelines for managing projects effectively. This framework is comprehensive and provides clear instructions on the processes in place, this is further enhanced through the four stage approach to project management.

As part of our audit testing of a sample of 10 projects, we reviewed the delivery plans in place for seven of the 10 projects in our sample that were either in the delivery or closure stage to confirm that they detailed the project objectives and milestones against the set deadlines. As a result of our findings, two low and one medium priority management action has been agreed with management. The medium priority related to the lack of reporting through the governance structure for overall management and progress of project management.

Internal audit opinion:

Minimal Assurance | Partial Assurance | Reasonable Assurance | **Substantial Assurance**

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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Audit themes:

Project Management Framework

- There is a Project Management Framework in place which provides a standardised approach to project management. There is a banding approach in place to ensure the correct level of governance is applied to a project, projects are initially scored on a scale of 1 to 4 on various criteria including resources, timescale, impact and risk. The score determines the Band A, B or C which identifies the management approach. There is a four stage approach to management of projects and our testing of 10 projects confirmed that each of these four stages to project management was operating in practice.

Project Delivery

- A Project Delivery Plan is developed for each project to monitor the progress made towards the Business Plan. The plan is discussed at the monthly Project Team meeting which ensure effective communication, collaboration, and coordination among team members working on the project. We reviewed the delivery plans in place for seven of the 10 projects in our sample that were either in the delivery or closure stage to confirm that they detailed the project objectives and milestones against the set deadlines. We confirmed that progress against these targets had been monitored and recorded, however in one case (Healthy Homes) we identified that the project milestones had now passed their due date and no reason was noted as for the delay. **(Low)**

Quality Assurance

- Monthly Quality Assurance meetings take place between the Project Manager and the QA Team to assess progress being made against the business plan, progress is then RAG rated to help direct areas of focus and lessons learned. A monthly review meeting is then held with the Chief Executive and the Director Change Management, ICT and Regulatory Services. Review of the QA update report for November 2024 confirmed that it provides an update of all the projects under each project manager. This is a 20 page report which is produced every fortnight by the PMO on all ongoing projects following on from the meeting held with Project Managers. We would suggest that the purpose of this fortnightly update of each project is revisited and maybe consideration given to changing the frequency of reporting as well as reporting on progress of projects in line with their banding. **(Low)**

Governance

- The Corporate Policy and Resources Committee has oversight of strategic projects. Chaired by the Director – ICT, Change Management and Regulatory Services, the Board meets on a bi-monthly basis to receive assurance and updates on each of the programmes and projects it governs. Key decisions are taken at the Board; along with change control requests / escalation of risks and issues. The Board membership consists of Programme Sponsors, a senior finance representative, representatives of the Change Team, and other key strategic officers. We did however note that there is currently no reporting to the Council surrounding overall project management progress reporting outside of those included in reports, business cases or requests for budget spend progress or approvals. **(Medium)**

SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as:

High	Medium	Low
Immediate management attention is necessary.	Timely management attention is necessary.	There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	The PMO/QA Team will introduce spot checks on a sample or projects to confirm that they have followed each stage of the Project Management Framework and that the project objectives and milestones are being achieved in line with the targets set. Client Comment Additions will be made to the Council's Quality Assurance framework to ensure periodic reviews of a sample of project across the council's programme. This work is to be factored into the work plan of the Change Team with oversight given to associated Programme Boards and Portfolio Board.	Low	Change, Programme and Performance Manager	30 June 2025
2	The purpose of the fortnightly QA update report detailing the progress made against each project will be revisited and consideration given to changing the frequency of reporting as well as reporting on progress of projects in line with their assesses banding. Client Comment Frequency of QA updates will be reviewed as part of the wider review of the Quality Assurance framework in March 2025 with the aim to implement from April 2025.	Low	Change, Programme and Performance Manager	31 March 2025
3	A high level update will be provided to the Council on at least a quarterly basis detailing the progress being made against the larger projects. Client Comment Further work is required to inform members of the progress of projects that the authority is delivering; the RAG rating and supporting narratives can be used in this communication. The Change Management Team will develop an approach, with consultation from Management Team and Committee Chairman, with the aim to develop the format and implement in Q1 2025-26.	Medium	Change, Programme and Performance Manager	30 June 2025

AUDIT OUTCOME OVERVIEW - PROCUREMENT

Conclusion: Our audit identified that there are well designed controls in place in relation to procurement within the Council and this is assisted by the partnership with Procurement Lincolnshire.

Our testing has resulted in the agreement of two medium and one low priority action with management. The medium priority actions are in relation to ensuring all contracts are recorded on the Councils Contract Register in a timely manner and ensuring a supplier analysis exercise is undertaken on at least an annual basis to identify an exceptions from the correct procurement route.

Internal audit opinion:

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).

Audit themes:

Strategy and Procedures including thresholds

- The Council has a strategy in place as part of the Procurement Lincolnshire Partnership. The Council also has a set of Contract and Procurement Procedure Rules (CPPR's) which provide guidance on procedures for the purchase of goods, works, and services, include roles and responsibilities and relevant legislation and regulations. Both are available on the website and on the staff intranet. Procurement thresholds are detailed in the CPPRs. There is also a draft set of CPPRs to be implemented from February 2025 and it was evident that thresholds are also clearly outlined within this document but these have been updated to be in line with the new Procurement Act 2023.

Training

- There have been a number of training sessions provided over the last year in relation to the changes in the new Procurement Act. The training was made available to all staff in the Council who are involved in procurement as this was cascaded through teams via their line managers. There are also further refresher courses due to be delivered in February 2025 on release of the new Procurement Act. There is a tile on the front page of the intranet promoting the training along with the email invitation that has been sent to all managers to cascade.

Contract Register

- The Council uses a system called ProContract which is used to initially source suppliers and contractors through to the signed contract, and information being recorded such as when the contract is due to expire and needs either renewing or re-tendering. The system also acts as a contract register as all contracts that have been awarded and signed are then posted onto the system fully creating a visible list of all current contracts. There is a link to the contract register on the Council website. When a contract is put onto the system an end date must be recorded and a reminder date is also included prior to the expiry day so the retender/renewal process can take place in a timely manner.

Procurement Process

- As the Council is part of the Procurement Lincolnshire (PL), it has access to a number of frameworks to procure from and PL also undertake some joint procurement exercises on behalf of the partners. Where frameworks and PL are not used, the Council procure their own goods and services in line with their CPPRs. We reviewed a sample of 10 suppliers and on all occasions the correct procurement route had been followed and there was a signed contract or agreement in place.

Exceptions

- Exceptions to the CPPRs take place when an alternative route to the normal tendering processes is required. We reviewed a sample of 10 exceptions and on all occasions a report was produced detailing the reasons for exception and this was approved by the Section 151 Officer. There were two exceptions that should have been recorded on the contract register but were not present. These have now been added. **(Medium)**

Spend Analysis

- As part of the partnership, the Council pay for PL to undertake spend analysis on an annual basis to identify any instances or exceptions where the procurement routes have not been followed. The Council provide PL with their expenditure data and then PL use this to create a series of reports to analyse the spend. Through discussion with the Director of Corporate Services we confirmed that PL have not yet completed the analysis for this year yet, but they have been chasing for this. **(Medium)**

  This is a retrospective check rather than proactively identifying mid-year expenditures that might exceed limits by year-end.

- The Council also have access to their own spend data that is provided to the Contract and Procurement officer (CPO) on a monthly basis. The data is reviewed by the CPO to identify any anomalies but a full spend analysis is not undertaken on this data. There is currently an issue with the system which means the reports have not been produced since September 2024. **(Low)**

SUMMARY OF MANAGEMENT ACTIONS

High	Medium	Low
Immediate management attention is necessary.	Timely management attention is necessary.	There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	Management will ensure all contracts are recorded on the contract register on a timely basis.	**Medium**	Contract and Procurement Officer	28 February 2025
2	Management will review the spend analysis from PL to identify whether there are any exceptions or incidents where the correct procurement route has not been followed.	**Medium**	Interim Director of Finance and Property	30 September 2025
	Management will conduct a spend analysis in year to identify where spend may be heading towards non-compliance.	**Low**	Interim Director of Finance and Property, Contract and Procurement Officer	30 September 2025

AUDIT OUTCOME OVERVIEW – CUSTOMER EXPERIENCE STRATEGY

Conclusion:

Our review confirmed that the Council has a detailed Customer Experience Strategy in place which was developed in line with the Corporate Plan 2023-27, Together 24 service review recommendations, and the Equality Strategy 2020-24. Through review of the strategy, the communications and monitoring of this, we confirmed the controls surrounding the strategy were well designed and being adhered to in practice.

From our review we agreed one suggestion regarding ensuring the Customer Experience Action Plan is periodically updated. This has been agreed as a suggestion as this was rectified immediately as part of the review.

Internal audit opinion:

Minimal Assurance | Partial Assurance | Reasonable Assurance | **Substantial Assurance**

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Audit themes:

Customer Experience Strategy

- The Council has a Customer Experience Strategy in place which sets out how the Council improve the design and delivery of customer services. The strategy is kept up to date and was reviewed by the Corporate Policy and Resources Committee. The Customer Experience Strategy is developed in alignment with the Corporate Plan 2023-27 objectives, Together 24 service review recommendations, and the Equality Strategy 2020-24.

Communications

- The Customer Experience Strategy is published on the Council's website, which is available for all staff members and public to access. The Customer Experience Manager attended several Teams Meeting across the Council, to communicate the newly introduced Customer Experience Strategy with the members of staff.
- The Council Members were engaged and consulted in producing the Customer Experience Strategy, with key feedback reflected in the strategy. This was through the Corporate Policy and Resource Committee providing feedback and subsequent approval of the strategy.

Monitoring of Strategy

- To achieve the objectives set out in the Customer Experience Strategy, the Council has created a Customer Experience Action Plan to monitor the progress and delivery of the strategy. Our review identified the completion status of two actions was not updated on the Action Plan, to reflect the most current practice. As part of the audit, the Customer Experience Manager updated these and therefore the plan is now fully up to date. (**Suggestion**)

Feedback

- The Council uses Voice of the Customer Report to collect customer feedback and to assess how well the rollout of the strategy has been. We reviewed the Quarter 2 2024/25 report which outlined compliments, complaints, comments and customer satisfaction which noted improvements in customer satisfaction and positive feedback. During Customer Services Team meetings, there is ongoing discussion around the strategy rollout.

Lessons Learned and Reporting

- There is an Annual Voice of the Customer Report which is shared with Members via the Member Newsletter and presented to the Governance and Audit Committee. This is a key metric for how performance against the Customer Experience Strategy is monitored and how any lessons identified can be embedded and improved upon.

SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as*:

High	Medium	Low
Immediate management attention is necessary.	Timely management attention is necessary.	There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	Management will ensure that the action plan is updated in a timely manner, to reflect the most current status of the actions.	**Suggestion**	Not applicable	

Application Note Global Internal Audit Standards in the UK Public Sector

January 2025

Global Internal Audit Standards in the UK Public Sector

The Application Note 'Global Internal Audit Standards in the UK Public Sector' is being adopted by the Relevant Internal Audit Standard Setters (RIASS) from 1 April 2025. It follows a period of consultation, and on the advice of the UK Public Sector Internal Audit Standards Advisory Board (IASAB), the Application Note should be applied in conjunction with the Global Internal Audit Standards published by the Institute of Internal Auditors. It includes key requirements and interpretations that are crucial for implementing the Standards within the practice of internal audit in the UK public sector.

Overview of the Standards

The RIASS have determined the Global Internal Audit Standards are 'a suitable basis for the practice of internal auditing', subject to interpretations and requirements. Whilst the section on 'Applying the Global Internal Audit Standards in the Public sector' is welcome, the Application Note provides UK public sector specific context and additional requirements.

Internal auditors must adhere to the requirements of the Global Internal Audit Standards and the International Professional Practices Framework. Throughout 2024, internal audit providers have been transitioning to the Standards, which became effective on 9 January 2025. The current Public Sector Internal Audit Standards have been in place since 2017. From 1 April 2025, auditors in the public sector must adhere to the Application Note, in addition to the requirements of the Global Internal Audit Standards.

The IASAB will periodically review the Application Note. This includes consideration of any Topical Requirements that are relevant to the public sector.

We have published several client briefings on the Global Internal Audit Standards and the requirements.

- Overview of the Global Internal Audit Standards.
- Quality Assurance and Improvement Programme.
- Key Stakeholder Requirements in Domain III.
- Assessing Readiness and Action Plans.

Please get in touch with your usual RSM contact to request a copy.

Global Internal Audit Standards in the UK Public Sector

Key interpretations and requirements

The Application Note includes several requirements and interpretations in the context of the UK public sector, summarised as follows.

- Alongside the requirements in the Global Internal Audit Standards in Domain II: Ethics and Professionalism, internal auditors must apply the Seven Principles of Public Life (the 'Nolan Principles').
- Auditors in the UK public sector need to understand when they are required to share or publish information. They should be familiar with their organisation's policies and procedures for publishing certain information, as well as any statutory obligations to do so.
- In meeting the requirements of Standard 9.1 Understanding Governance, Risk Management and Control Processes and Standard 13.4 Evaluation Criteria, auditors must recognise the importance of value for money.
- With the legal and regulatory structures across the public sector, where the chief audit executive is unable to co-ordinate with other assurance providers, the barriers must be set out to the board.
- Where a board does not have authority over budgets, this can hinder the chief audit executive's ability to seek additional funding due to other organisational priorities. To comply with Standard 8.2 Resources, the chief audit executive should develop a resource strategy that proposes practical solutions for the board's consideration.
- Where the chief audit executive is unable to develop a strategy to obtain sufficient resource to address shortfalls, there is no expectation to comply with Standards 10.1 to 10.3, Principle 10 Manage Resources. The chief audit executive must inform the board of the effect of insufficient resources and highlight any options to mitigate the impact. If internal audit's ability to fulfil its mandate is at risk, the board must also be informed.
- The chief audit executive must provide an overall conclusion on governance, risk management and control annually, with the conclusion informing internal audit planning in alignment with Standard 9.4.
- The results of internal quality assessments are to be reported annually and include any action plans to address non-conformance.
- The chief audit executive is to be qualified, holding a professional qualification such as CMIIA, CCAB or other equivalent qualification that includes training on the practice of internal audit. They should also have suitable experience.
- At least one individual within the external quality assessment (EQA) team should hold the skills and qualifications as that required of the chief audit executive. An EQA assessor is expected to understand the Global Internal Audit Standards in line with an individual with the Certified Internal Auditor designation, including how the standards are applied to the UK public sector.

Domain III Governing the Internal Audit Function sets out important 'essential conditions' for the board and senior management. When implemented they enable the internal audit function to be effective and fulfil its purpose. Given the unique governance and organisational structures in the public sector, internal audit functions may need to adapt some standards to achieve the same outcomes. These alternatives must be approved by the board or audit committee and, if permanent, must be explained in the Charter.

Global Internal Audit Standards in the UK Public Sector

Our internal audit services

In transitioning to the Global Internal Audit Standards, during 2024 we have updated our manuals, reports, charter and mandate, and trained our people. This ensured our preparedness and conformance with the new standards.

As a leading provider of internal audit services to the public sector we have carefully considered the requirements of the Application Note Global Internal Audit Standards in the UK Public Sector. With the Public Sector Internal Audit Standards being replaced, our charter and reports will be updated, applicable from 1 April 2025.

Having reviewed the interpretations and requirements, our internal audit services align with the intent of the Global Internal Audit Standards in the UK Public Sector.

Our last EQA concluded that RSM 'generally conforms to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'. The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model. Our next EQA is due to take place in 2026 and will reflect the requirements of the Global Internal Audit Standards in the UK Public Sector.

Further information

Access the Application Note Global Internal Audit Standards in the UK Public Sector at: https://www.iasab.org/standards

Access the Global Internal Audit Standards at: https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/

Should you have any questions regarding the Global Internal Audit Standards in the UK Public Sector, what it might mean for you, or our adherence to the Standards, please get in touch via your usual RSM contact.

FURTHER INFORMATION

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RSM Head of Internal Audit

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Shauna Mallinson

Head of Risk and Governance Technical

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Governance and Audit Committee	
22 April 2025	

Subject: Accounts Closedown 2024/25 Accounting Matters

Report by:	Interim Director of Finance and Assets (S151 Officer)
Contact Officer:	Comie Campbell Interim Financial Services Manager (Deputy S151) Comie.Campbell@west-lindsey.gov.uk
Purpose / Summary:	To review and approve the accounting policies, actuary assumptions and materiality levels that will be used for the preparation of the 2024/25 accounts

RECOMMENDATION(S):

1. To approve the proposed Accounting Policies (included at Appendix 1)
2. To consider and make comment on the pension assumptions (as included at Appendix 2)
3. To consider and make comment on the risk assessment (at Appendix 3).
4. To consider materiality levels as included at section 5.
5. To consider and make comment on the key closedown dates at Section 7
6. To accept the main accounting changes for 2024/25 and onwards as shown at section 2.

IMPLICATIONS

Legal:

The External Audit element of the report is in accordance with the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

Financial: FIN/06/26/GA

None directly from this report. However, the accounting policies and actuarial assumptions used for the accounts will have an impact on the amounts contained within the Statement of Accounts for 2024/25. The levels of materiality set will have minimal impact.

The additional costs associated with the delivery of the Statement of Accounts by the statutory deadline are met from existing budgets.

The annual audit fee 2024/25 is anticipated to be £146,642, (£132,410 for 2023/24 fee). The Council has provided a budget of £132,500 for the payment of these fees. Any overspend will be met by underspent budgets elsewhere.

Staffing :

Overtime hours are likely to be worked by some members of the Finance Team to ensure the Statutory deadline is met. This can be contained within existing budgets.

Equality and Diversity including Human Rights :

None arising as a result of this report

Data Protection Implications:

None arising as a result of this report

Climate Related Risks and Opportunities:

None arising as a result of this report

Section 17 Crime and Disorder Considerations:

None arising as a result of this report

Health Implications:

None arising as a result of this report

Title and Location of any Background Papers used in the preparation of this report :
CIPFA Code of Practice on Local Authority Accounting 2024/25 Accounts CIPFA Guidance Notes for Practitioners 2024/25 Accounts Both documents are held electronically

Risk Assessment :
There is a risk of material errors should incorrect accounting policies be applied or if the actuary uses wildly inaccurate assumptions. An assessment of all risks is attached at Appendix 3.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	**x**

Executive Summary

The Accounts and Audit (Amendment) Regulations 2024 require Local Authorities to produce and publish their draft unaudited 2024/25 Statement of Accounts by 30 June 2025 (31 May 2024 for 2023/24) and an Audited Statement of Accounts by 27 February 2026 (28 February 2025 for 2023/24). Officers and the Council's external auditors are aiming to have the 2024/25 accounts signed off before that backstop date at the 25 November 2025 Governance and Audit committee meeting.

In producing the Statement of Accounts, the Council follows the CIPFA Code of Practice on Local Authority Accounting 2024/25 (the Code). There has been minimal changes for 2024/25 (see Section 2).

No material changes to the accounting policies have been made since the production of the 2020/21 financial statements. There is a minor accounting policy change due to the implementation of a new asset accounting system we now depreciate in real time and depreciation is chargeable from the date the asset in commissioned and included in the Council's accounts.

The Actuary for the Pension Fund is Barnett Waddingham. The assumptions used by the actuary are included in Appendix 2. At this point in time there are no known proposals in the near future that could impact on these assumptions and therefore it is not recommended that these are challenged.

External Audit materiality levels for the Council in 2023/24 were £955,000 and amounts less than £45,000 were considered trivial (i.e. not significant). Materiality levels for 2024/25 will be reported to committee once received from the external auditors.

An assessment of the risks associated with closing the Councils accounts and producing the Financial Statements has been undertaken and the risk assessment is attached at Appendix 3. After applying the planned mitigation, the majority of risks are coloured green (low risk) with only three risks identified as being high (red).

In 2024/25 the Council reported under the themes of Our People, Our Place and Our Council. There were no changes to the management structure from that in place in 2023/24.

1 Introduction

1.1 The Accounts and Audit (Amendment) Regulations 2024 require Local Authorities to produce and publish their draft unaudited 2024/25 Statement of Accounts by 30 June 2025 (31 May 2024 for 2023/24) and an Audited Statement of Accounts by 27 February 2026 (28 February 2025 for 2023/24). Officers and the Council's external auditors are aiming to have the 2024/25 accounts signed off before that backstop date at the 25 November 2025 Governance and Audit committee meeting.

1.2 In producing the Statement of Accounts, the Council follows the CIPFA Code of Practice on Local Authority Accounting 2024/25 (the Code).

1.3 The Council is required to ensure that the Statement of Accounts provides a true and fair view of the financial position, financial performance, and cash flows of the authority. A true and fair presentation requires a faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions criteria for assets and liabilities, income and expenses set out in the Code. Compliance with the Code will therefore meet this requirement.

1.4 This report is asking for Members to review a number of matters such as accounting policies, materiality and actuarial assumptions (used for determining the pensions estimates) that will be used for drawing up the financial statements for the year. This review then forms part of the scrutiny process for the Statement of Accounts 2024/25.

1.5 External Audit – 2024/25 Audit Planning

The Accounts and Audit (Amendment) Regulations 2024 require Local Authorities to produce and publish their draft unaudited 2024/25 Statement of Accounts by 30 June 2025 (31 May 2024 for 2023/24) and an Audited Statement of Accounts by 27 February 2026 (28 February 2025 for 2023/24). Officers and the Council's external auditors are aiming to have the 2024/25 accounts signed off before that backstop date at the 25 November 2025 Governance and Audit committee meeting.

The Auditor will ultimately give his opinion on whether the Statement of Accounts is compliant with statutory requirements and that they have been prepared in accordance with proper accounting practices, and that adequate arrangements are in place to achieve Value for Money in the use of resources.

The audit will take a risk-based approach, which will be reassessed throughout the process.

2. Changes to the Code of Practice

2.1 The following changes to the Code are effective for the 2024/25 and onwards financial statements:

Code Change	Impact on WLDC	Progress
Confirmation in Module 1 Appendix B of the New or Amended Standards introduced in the 2024/25 Code.	No impact, purely confirmation.	Fully compliant
Updates are included within Modules 2, 3, 4 and 9 for the mandatory implementation of IFRS16 Leases. Detailed information in Module 4 follows previous guidance produced by CIPFA during transitional arrangements. IFRS 16 is mandatory from 2024/25 and therefore all guidance has been updated to reflect this.	Preparation for IFRS16 completed.	Fully compliant
Module 3 has been updated to reflect the requirement within the narrative report to include consideration of Section 114.	No impact.	Fully compliant
Legislation changes for Dedicated Schools Grant have been updated in Module 3.	No Impact	Not Applicable
The example financial statements in Section A of Module 3 have been updated to include relevant transactions for group accounts. The notes to the accounts have been updated for IFRS 16 and heritage assets presentation.	Preparation for Group Accounts and IFRS16 completed.	Fully compliant
Module 6 includes a new flow chart for determining the asset ceiling.	Asset ceiling report requested from Pension Fund Actuaries, may impact if WLDC has a Defined Benefit Asset.	Fully compliant
Module 8 has been updated to reflect the latest equal pay legislation in Scotland.	No Impact	Not Applicable

2.2 In 2024/25 there will be significant accounting changes to IFRS 16 Leases. Under the existing standard, lessees account for lease transactions as either operating or finance leases depending on certain tests and rules, this results in either all or nothing being recognised on the balance sheet. Under the new IFRS 16 all leases will need to be accounted for on the balance sheet as at 31/03/2025.

2.3 No restatement will be required for the 2024/25 accounts but the Council will need to convert every operating lease to a finance lease unless it is short term (<365 days) or low value (the Council's de-minimis is £10,000 for items added to the balance sheet and this will be applied to the new IRFS 16)

2.4 The Council has been preparing for these changes for the last three years, we have assessed every lease using a model which external audit has been provided with in the last two financial years audit papers. Each year we review all contracts for embedded leases and the finance business partners liaise with services for any new leases. We have assessed all operating leases and finance leases at the end of March 2025.

3. Accounting Policies

3.1 The proposed accounting policies are as detailed at Appendix 1. These have been reviewed to ensure that they reflect the requirements of the latest Code and that they are still appropriate, accurately reflect what has occurred during the year and have been consistently applied.

3.2 Members should note only material accounting policies will be included within the Statement of Accounts.

3.3 No material changes to the accounting policies will be made for the production of the 2024/25 accounts.

4. Actuarial Report and Assumptions

4.1 The Councils pension scheme is administered by Lincolnshire County Council with pension contributions included in the county wide pension fund.

4.2 The County Council uses Barnett Waddingham as the actuary for assessing the year end assets and liabilities of the pension fund and the use of these assumptions determines the estimates of its share of the pension fund that the Council is required to reflect within its accounts.

4.3 The actuary completes a formal valuation of the pension fund every three years, with 2022 being the year of the latest valuation which relates to the financial years 2023/24- 2025/26.

The purpose of the formal actuarial valuation is to:

- Calculate the Councils funding position within the fund, and
- Determine the contributions that the Council will pay from April 2023 to March 2026.

4.4 The pension values are comparatively large when taken in the context of the Councils overall budget and spend levels, so any assumptions used for these values will inevitably have a major impact on the Councils accounts, albeit this is a long term liability which is projected to be funded within 18 years. It is appropriate therefore that they should receive special scrutiny.

4.5 Although the assumptions have been determined by Barnett Waddingham, ultimately it is the Council that is responsible for ensuring that any assumptions used are accurate and will lead to the best estimates possible for use in the accounts for 2024/25.

4.6 The actuarial assumptions report as provided by Barnett Waddingham is included at Appendix 2.

4.7 When reviewing the assumptions used, the Council is required to consider if these assumptions are appropriate having regard to local circumstances. Matters that could impact on any assumptions used usually relate to proposals that may have a major impact on the future i.e. makeup of the workforce, pay increases in excess of 3% or outsourcing more than 5% of the workforce.

4.8 At this point in time there are no known proposals in the near future that could impact and therefore it is not recommended that the actuary's assumptions are challenged.

4.9 Estimated values of contributions and deficit reduction payments are submitted to the actuary to be taken into account when calculating the final IAS19 report for inclusion within the accounts.

4.10 The liabilities for the McCloud Case (public service pension age discrimination cases) were captured for the 31 March 2024 IAS19 balance sheet figures, as will be the case for 31 March 2025.

4.11 We will also be asking for two reports from the Actuary, the first report to be received in April using estimated investment returns to enable us to process the accounting adjustments required within the statutory deadline. The second report will be received at the end of May and will be on Actual Investment returns. If there is a material difference in the two reports then further adjustments to the accounts will be required.

5. Materiality Levels for 2024/25

5.1 Members now approve materiality levels that will be applied as part of the closedown process with the expectation that these will greatly assist with speeding up the closedown process and meeting the statutory deadline of 30 June.

5.2 Information is said to be material if omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. There are no set materiality levels and each organisation needs to set levels having regard to the size and any special circumstances of the organisation.

- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and

- Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

5.3 Materiality is an amount that makes a difference to the understanding of the readers of the accounts - an audit never provides 100% assurance - only “reasonable assurance." For instance, if a company has overstated its revenues by £5 million when its total revenues are £4 billion, then this £5 million is considered 'immaterial.' However, if the company's total revenues are only £50 million, then this £5 million overstatement would be considered 'Material."

5.4 The External Audit materiality levels for the Council in 2023/24 were £955,000 and amounts less than £45,000 were considered trivial (i.e. not significant). Materiality levels for 2024/25 will be reported to committee once received from External Audit.

5.5 In order to meet the statutory deadline there is a fine balance to strike between having absolute accuracy and accepting that there may be minor adjustments to make as part of the audit which would be included in the ISA260 Audit Report. Overall, it would be worth accepting the risk of small under/overspends year on year and possible minor audit adjustments to the accounts since they will not materially affect the Council’s overall financial position or the financial statements that will still show “a true and fair view”.

5.6 The following levels of materiality were suggested for particular classes of transactions, account balances or disclosures for 2023/24, updated materiality levels will be supplied by External Audit following completion of the Interim Audit.

1. Materiality for the Financial Statements as a whole £955,000
2. Misstatements materiality to protect against aggregation risk, £585,000
3. Trivial misstatements £45,000
4. Manual Accruals - limit of £2,000
5. Related party transactions £10,000

6. Stocks – anything less than £10,000 is charged to revenue in year

6. Risk Assessment

6.1 An assessment of the risks associated with closing the Councils accounts and producing the Financial Statements has been undertaken and the risk assessment is attached at Appendix 3.

6.2 Each risk has been scored in terms of the likelihood that the event will happen and the severity of the impact if the event happens. Multiplying these two scores together then gives the calculated risk severity. A traffic light colouring system is used to highlight the level of severity.

6.3 These risks are then scored again after applying any actions to be taken to mitigate the risk.

6.4 Members should note that after applying the planned mitigation the majority of risks are coloured green (low risk) with only three risks identified as being high (red).

6.5 Ensuring adequate skilled resources are in place to deliver to the statutory deadline will include a mixture of solutions, interim agency, additional hours and overtime payments

7. Key Closedown Timetable

7.1 In order to achieve the closedown for the 2024/25 accounts, officers have been working hard over the last few years to reduce the length of time to achieve tasks and also to bring forward the deadlines.

7.2 Tasks and work practices have been reviewed to take on board both accounting changes and the need to streamline/reduce workload and work more efficiently.

7.3 Last year the Statement of Accounts was published on the Council's website within the statutory deadline of 31 May 2024. The finance team are committed to achieve the end of June deadline for 2024/25.

7.4 A detailed timetable is produced (with some 300+ tasks) for officers' use that not only produces the Statement of Accounts but is also used to produce the working papers as required by the Council's external auditors.

7.5 Within the detailed timetable there are certain key dates that represent those key milestones that we need to focus on achieving.

7.6 The following table shows those key tasks and dates for the 2024/25 closedown process.

Item	**Key Dates 2024/25**
Planning and Preparation	01/01/2025 – 31/01/2025
Interim Audit	17/02/2025 – 28/02/2025
Balance Sheet Review	24/01/2025
Close Period 12	01/04/2025
Accruals/Prepayments Input to System	07/04/2025
Report to Governance and Audit Committee: Closedown Matters	22/04/2025
All Accounts Closed	06/05/2025
Balance Sheet and Comprehensive Income and Expenditure Statement Completed	06/05/2025
Narrative Report Draft	16/06/2025
Statement of Accounts Completed	20/06/2025
Draft Statement of Accounts Signed Off by Section 151 Officer	30/06/2025
Send Statement of Accounts to Auditors	30/06/2025
Publish Draft Statement of Accounts on Website and issue Public Inspection Notice	30/06/2025
Draft Statement of Accounts considered by Governance and Audit Committee	29/07/2025
Outturn Position Report to Corporate Policy and Resources Committee	12/06/2025
Audit of Accounts	28/07/2025 - 29/08/2025
Whole of Government Accounts (subject to date of issue)	TBA
Governance and Audit Committee Approval of Audited Statement of Accounts and Annual Governance Statement	25/11/2025 (Date working towards) (27/02/2026 Backstop date)
Publish Audited Statement of Accounts on Website and Issue Audit Completion Notice	26/11/2025 (Date working towards) (27/02/2026 Backstop date)

8. Accounting Changes 2024/25

8.1 There are no major accounting changes that will affect the 2024/25 Statement of Accounts.

9. Group Accounts

9.1 As previously mentioned to the committee since the Council acquired 100% shareholding in the Market Street Renewal company there is the possibility that group accounts may be required for 2024/25. This would be the first full year of company ownership by the Council.

9.2 Discussions are ongoing with KPMG as to whether group accounts are required for 2024/25. The decision will be based on a number of tests around materiality levels and also around whether by not producing group accounts the Council would materially mislead the reader of the accounts.

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code) and the Service Reporting Code of Practice 2024/25, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received, (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Expenses incurred, which relate to employees, are not accrued for as they are considered to be relatively stable year on year and omitting them would not result in a material error.

- Interest receivable on investments and payable on borrowings is accounted for as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Acquisitions

All operations acquired in year will be treated in line with the Council's accounting policies and if material disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

iv Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition or as at the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Council Tax and National Non-Domestic Rates (Business Rates)

Billing authorities act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less or more than predicted.

The council tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

viii Employee Benefits

The Council accounts for employment and post-employment benefits when employees earn them and the Council is committed to providing them, even if the actual provision might be many years into the future. Employee benefits are accounted for in the following four categories:

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled payable within twelve months of the Balance Sheet date and include, wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits, and similar payments and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Post – Employment Benefits

Employees of the Council are eligible to be members of the Local Government Pension Scheme (LGPS) Lincolnshire Pension Fund, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

d) The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

- Liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.25% to 5.50% determined by reference to market yields at the end of the reporting period on high quality corporate bonds (iBoxx AA over 15 year index).

- The assets of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet at fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The assessment process takes the most recent triennial actuarial valuation and updates it to reflect current conditions.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past Service Costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Net Interest – on the net defined benefit liability/asset, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

Re-measurement comprising:

Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses - changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Lincolnshire Pension Fund

Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report. Which is available at the following link;

https://www.lincolnshire.gov.uk/local-democracy/finances-and-budget/

Option: Lincolnshire Pension Fund.

or the following address;

Treasury and Financial Strategy,
Lincolnshire County Council,
County Offices
Newland,
Lincoln, LN1 1YG

ix Events after the Reporting Period

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

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Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial liabilities are classified into two types:

- amortised cost – liabilities that are not held for trading, such as operational creditors and borrowings; and

- fair value through profit or loss – liabilities held for trading.

The Council currently only has liabilities carried at amortised cost relating to Finance Leases and borrowing, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the lease or loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the financial instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has made no soft loans (loans at less than Market Rate) as at 31/03/2025.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a portfolio of loans to measure lifetime expected losses, this will be assessed on each individual instrument basis. This will take into account materiality, history of default, and impact sensitivity of amendments such as interest rate changes.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council currently holds no financial instruments at fair value through Other Comprehensive Income.

xi Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be utilised for infrastructure projects to support the development of the area. As a collecting and charging authority an element of the charge is credited to the Comprehensive Income and Expenditure Statement for administration costs, the income is shared with Parish Councils and Lincolnshire County Council to support agreed infrastructure schemes. Amounts will be held on the Balance Sheet until paid over to the relevant bodies.

xii Heritage Assets – General

The Council holds Civic Regalia as a Heritage Asset

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the Council's policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – (see Accounting Policy xviv Property Plant and Equipment) in this summary of significant accounting policies.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences, rights to use land) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All such expenditure is accounted for on an accruals basis and capitalised as a non-current asset.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The judgement by the S151 Officer is that there is no material impact on the Statement of Accounts. Group Accounts are therefore not required for 2024/25.

xv Inventories and long-term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvi Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds (greater than £10,000) the Capital Receipts Reserve.

xvii Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and the resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

xviii Leases

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options. The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise

and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is possible that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets acquired above a de-minimis of £10,000 are capitalised.

Measurement

Assets are initially measured at cost, comprising;

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets, community assets and assets under construction – depreciated historical cost

- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year–end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives commencing on the date the asset is commissioned and included in the Council's accounts. An exception is made for assets without a determinable useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease is used

- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer.

- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	Useful Life Range (years)
Offices/Leisure Centre	25 to 60
Crematorium	25 to 60
Depots & Stores	25 to 60
Shops	25-60
Public Conveniences	49
CCTV Systems/IT Equipment/Wheeled Bins/Office Equipment /Led Lighting/ Crematorium Equipment	1 to 25
Vehicles/Bin Lifters	1 to 7
Infrastructure Assets	1 to 28
Dwellings	54

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. The balance on the Capital Receipts Reserve can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year

– where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent liabilities

A contingent liability arises when an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed only by the occurrence or otherwise of uncertain future events, not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxii Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

Accounting reporting as at

31 March 2025

Employer briefing note pre-accounting date

Barnett Waddingham LLP

4 February 2025

Contents

Introduction and executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2025 accounting exercise. This document is based on market conditions as at 31 January 2025. It sets out our recommended assumptions along with any key changes since the previous accounting date. Unless noted otherwise in this briefing note, or in the employer's results report, the approaches adopted as at 31 March 2025 are in line with the approaches set out in this briefing note and are consistent with that at the employer's last accounting date.

This briefing note assumes a previous accounting date of 31 March 2024. For employers whose previous accounting date was not 31 March 2024, this briefing note provides a summary of our recommended assumptions for 31 March 2025 only; should a summary of the key changes since an employer-specific previous accounting date be required then please let us know. Additional fees will apply.

This note complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100).

Barnett Waddingham prepare LGPS accounting disclosures in accordance with the IAS19 and FRS102 standards. The second periodic review of the FRS102 standard was completed in March 2024, with the resulting revised FRS102 standard effective for accounting periods beginning on or after 1 January 2026. While early adoption is permitted, until we advise otherwise, our LGPS accounting disclosures will adhere to the current FRS102 standard, published 31 January 2022.

In preparing accounting disclosures for employers who participate in the LGPS, we act as Management's Expert as defined by IAS(UK)500. The relevant LGPS fund's committee oversees the management of the fund. Where appropriate some functions are delegated to professional advisers or outsourced to third party providers.

Where can I get further information?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation of some of the jargon used here.

We also publish regular briefings and webinars on our website. You can keep up to date on the latest information by joining our mailing list here.

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How has the balance sheet changed over the year?

The change in the balance sheet position over the year is dependent on the following key variables. In the table below we detail the approximate impact and each of these variables is discussed in more detail in this briefing note:

Variable/assumption	Impact on balance sheet?	Comments
Asset returns	↑	Asset returns for a typical LGPS fund have been higher than the discount rate assumed at the previous accounting date which will improve the balance sheet position. Please note that actual returns will vary between different LGPS funds.
Discount rate	↑	Discount rates have increased for most employers which will improve the balance sheet position.
Inflation	↔	Future inflation assumptions have remained relatively unchanged. Some employers may see a small worsening of the balance sheet position.
Allowance for inflation experience	↑	CPI inflation observed between March 2024 and December 2024 has been lower than the rate of CPI inflation assumed over the same period. For employers who allowed for observed inflation up to the previous accounting date, allowing for observed inflation up to the current date is likely to improve the balance sheet position.
Mortality	↑	We intend to update our mortality assumptions to adopt the 2023 Continuous Mortality Investigation (CMI) 2023 core projections model. The impact of this will be a further small reduction to life expectancies and improvement in the balance sheet position.
Overall	↑	**Overall, we expect the balance sheet position to improve compared with last year.**

Please note that these general principles are based on a typical employer in an average fund with a duration of 20 years. The actual effect of the change in these variables and assumptions will depend on each employer's individual circumstances.

As a participating employer, what do I need to do?

The assumptions set out in this report are the standards that we intend to use unless instructed otherwise. We therefore recommend employers discuss this note with their auditors and agree whether the standard approach is appropriate. The salary increase assumption, for example, is often tailored by the employer to reflect their anticipated pay increase awards.

How much will my IAS19/FRS102 report cost?

The fund will communicate fees to employers. There may be additional fees if there are particular features or events for an employer which need to be taken into account including:

- where an employer chooses their own assumptions;
- if there are additional calculations to be carried out if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- allowance for actual inflation experience;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask queries following receipt of the report.

Where can I get further information?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here.

ACTION: Please get in touch with the fund or your usual Barnett Waddingham contact if you have any queries.

We also publish regular briefings and webinars on our website. You can keep up to date on the latest information by joining our mailing list here.

Valuation of the employer's assets

Asset performance

Asset returns can be very volatile from year to year and will vary by LGPS fund.

A typical LGPS fund might have achieved a return of around 10% for the period from 31 March 2024 to 31 January 2025. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy and depending on asset performance for the remaining two months to 31 March 2025.

If the actual asset return for the Fund over the year are higher than the previous discount rate, this will lead to an actuarial gain on the assets; strengthening the overall position.

How are my assets valued?

To calculate the asset share for an individual employer, we roll forward the assets allocated to each employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

We also make an allowance for administration expenses which are paid in respect of the fund. For the purposes of our calculations, we distribute fund administration expenses amongst the employers in the fund in proportion to their individual asset shares.

BARNETT WADDINGHAM
beyond the expected

Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2025, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. Please note that for employers participating in Scottish funds, this will involve an update this year to be based on the fund's 2023 funding valuation.

The full actuarial valuation involved projecting future cashflows to be paid from the fund and placing a value on them. These cashflows include pensions currently being paid to members of the fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

The projected unit method (PUM) is used to calculate the future service cost. For accounting valuations, the control period is set to one year.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2025 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2025 should not introduce any undue distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Where members have been granted unreduced retirement on the grounds of redundancy or efficiency, an additional strain is placed on the liabilities. We request details of such events from the fund and calculate an additional strain which is then allowed for as a curtailment cost.

Where employees are known to have transferred their employment to or from the employer during the accounting period, an allowance is made for the transfer of assets and liabilities as a settlement event.

The order in which the reconciliation of liabilities is constructed is provided in Appendix 2.

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 January 2025.

Discount rate

Under both the IAS19 and FRS102 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate).

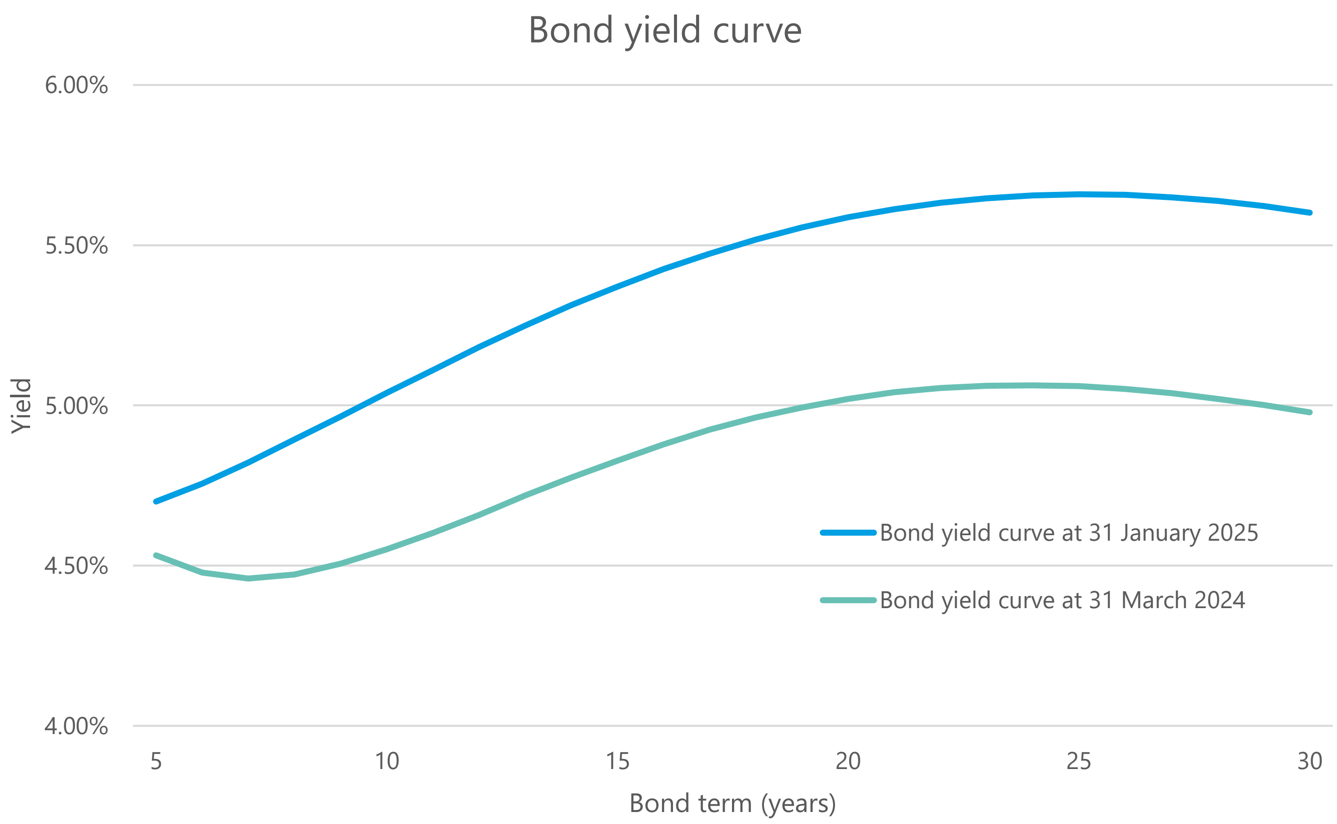
These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.

In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.

The sample cashflows are used to set the assumption used, however when calculating the change in financial assumption item on the employer's balance sheet we discount the employer's unique cashflow profile with the new single equivalent discount rate. The impact of a change in the discount rate compared with the previous accounting date will therefore vary by employer depending on their own unique cashflow profile. Individual employer cashflow profiles were derived as at the last valuation date and are assumed to remain unchanged between triennial actuarial valuations.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 January 2025:



These curves reflect the yields that underlie the SEDR calculations and are not the estimates of the standard discount rate assumption. Sample SEDR assumptions are set out in the table overleaf.

You will see that the bond yield at 31 January 2025 is higher than the yield at the previous accounting date, resulting in a higher discount rate.

Source: Merrill Lynch

All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and will improve the overall position.

The impact of a change in the discount rate compared with the previous accounting date will vary by employer depending on their own unique cashflow profile. Cashflow profiles were derived as at the last full triennial valuation date and are assumed to have remained unchanged since then.

- Employers may be considered "Very Mature" if they have a liability duration under 10 years at the accounting date
- Employers may be considered "Mature" if they have a liability duration of between 10 and 20 years at the accounting date
- Employers may be considered "Immature" if they have a liability duration over 20 years at the accounting date

	Discount rate		Estimated impact of change on liabilities
Maturity	31 January 2025	31 March 2024	
Very Mature	4.90% to 5.25%	4.65% to 4.80%	Decrease of 1% to 4%
Mature	5.25% to 5.50%	4.80% to 4.95%	Decrease of 4% to 10%
Immature	5.50% to 5.55%	4.95%	Decrease of 10% to over 14%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the discount rate assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). To derive our CPI assumption we first make an assumption for the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point, and flat over the initial short-end period up to the 3 year point.

Consistent with past periods, our view remains that gilt-implied inflation rates are distorted by supply and demand factors at medium and longer terms. We allow for an IRP which varies by the term of the employer's liabilities with the resulting assumption falling between 0.0% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 1 to 30 years) in deriving the assumptions for employers.

RPI assumptions under the three maturity scenarios are set out in the table below and based on market conditions at 31 January 2025, with the equivalent 31 March 2024 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI Inflation	
Maturity	31 January 2025	31 March 2024
Very Mature	3.45% to 3.80%	3.45% to 3.75%
Mature	3.15% to 3.45%	3.15% to 3.45%
Immature	3.10% to 3.15%	3.10% to 3.15%

Difference between RPI and CPI

It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with market-implied inflation from the Bank of England inflation curve thereafter. This results in an assumed gap between the two inflation measures of between 0.20% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

While we recognise that post-2030, implied inflation will represent CPIH (i.e. including housing costs), and historically CPIH has (on average) been around 0.1% pa above the rate of CPI, we understand that since 2003 CPI has actually been slightly higher than CPIH, rather than lower. Based on the composition of the two indices before the ONS announcement in December 2023, we do not believe there was a compelling argument for the two indices to differ (on average) in the long term. We therefore take the post-2030 market implied inflation as our CPI assumption directly, making no allowance for any potential CPI-CPIH difference.

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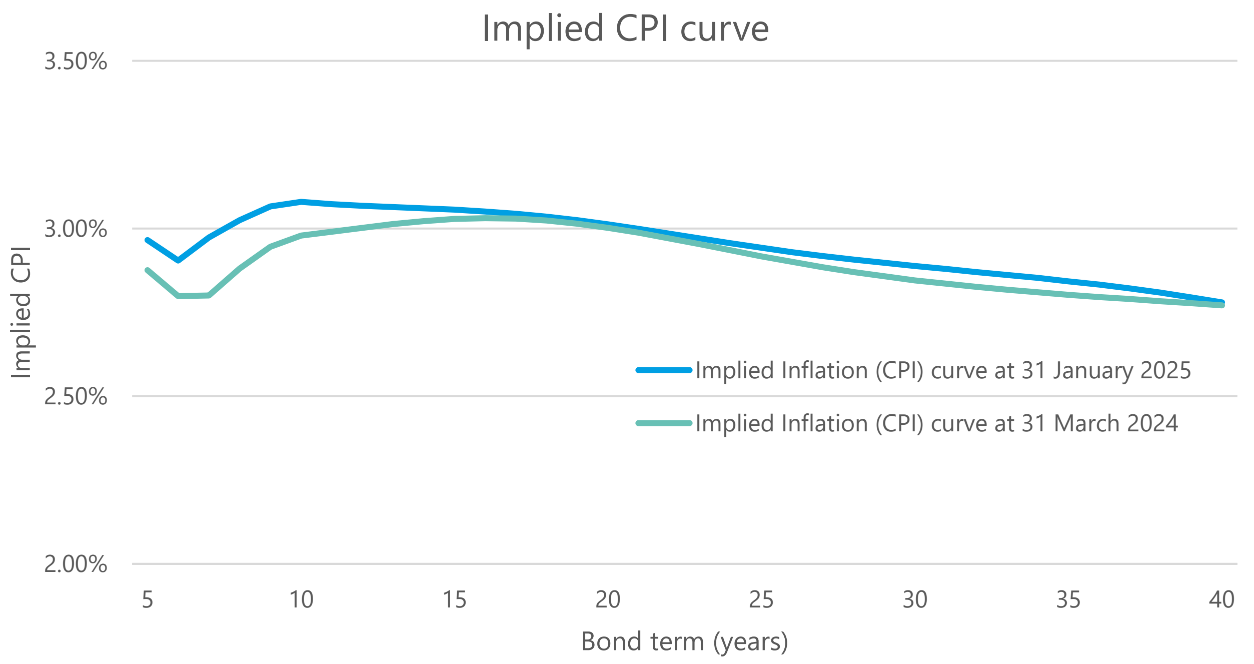
Consumer Prices Index (CPI) assumption

Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

The resulting implied CPI curve at 31 January 2025 is shown below along with the implied CPI curve at the last accounting date for comparison:



These curves reflect the yields that underlie the SEIR calculations and are not the estimates of the standard CPI inflation assumption. Sample SEIR assumptions are set out in the table overleaf.

As shown in the graph, the implied CPI curve at 31 January 2025 around the same level as at 31 March 2024. As a result, the assumed level of future pension increases will be broadly in line with that assumed at the previous accounting date.

Source: Barnett Waddingham based on Bank of England data

Since market expectations remain similar to the previous year, all else equal, balance sheets are expected to remain unchanged from the previous year. Some employers may see a small worsening to the balance sheet.

The tables below set out the assumed pension increase (CPI) assumptions under the three maturity scenarios, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

	CPI inflation		Estimated impact of change on liabilities
Maturity	31 January 2025	31 March 2024	
Very Mature	3.00% to 3.05%	2.95%	Neutral to increase of 1%
Mature	2.90% to 3.00%	2.85% to 3.00%	Neutral to increase of 2%
Immature	2.90%	2.85% to 2.90%	Neutral to increase of 1%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the pension increase assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Salary increases

Where an employer has requested a bespoke salary increase assumption last year, if still appropriate, we will continue to use the same salary increase assumption adopted at the last accounting date. For all other employers, we will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report and Funding Strategy Statement.

ACTION: The employer must let the fund know if they want to adopt a different salary increase assumption. Please note that bespoke financial assumptions will incur additional fees.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Overall impact of changes to financial assumptions

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers based on assumptions derived as at 31 January 2025 under the three maturity scenarios:

Maturity	Estimated effect of change in financial assumptions on employer's liabilities
Very Mature	Decrease of 1% to 4%
Mature	Decrease of 4% to 9%
Immature	Decrease of 9% to over 14%

Based on market conditions at 31 January 2025, employers will see the value of their defined benefit obligation decrease due to a significant increase to corporate bond yields since 31 March 2024. However, the extent of this will depend on the employer's membership profile, cashflows over the year, experience and any bespoke assumptions or approaches. The actual financial impact at 31 March 2025 may differ considerably from the results shown using an earlier date for market date.

ACTION: We are also happy to use bespoke financial assumptions. The employer must let the fund know if they want to adopt any different financial assumptions and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke financial assumptions will incur additional fees.

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beyond the expected

Demographic assumptions

Mortality assumption

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgment involved and we naturally have to refine our view on this over time.

Base table mortality

The base table mortality assumptions adopted for the funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting.

For employers participating in an English or Welsh LGPS fund, the last actuarial valuation was at 31 March 2022. For employers participating in a Scottish LGPS fund, the last actuarial valuation was at 31 March 2023.

For England and Wales, the next triennial valuation date is as at the accounting date, 31 March 2025. The results of the 2025 valuation will not be finalised at the time of preparing reports, nor assumptions agreed with the relevant LGPS fund. An update to base mortality tables will follow next year as part of 31 March 2026 reporting.

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

The CMI have released the 2023 version of their model and so we intend to further update our mortality assumptions to use the 2023 core model as standard for all employers. This represents a change from the last accounting date when the 2022 version of the model was used for most employers. The latest version of the core model places no weight on the exceptional mortality experienced during 2020 and 2021 as a result of the Covid pandemic, but places some reliance on mortality data that has been observed since. Specifically, a weighting of 15% is applied to mortality in the 2022 and 2023 years' data. The impact of updating the model is expected to be a slight reduction in life expectancies for all employers, largely reflecting the heavier than average mortality that was experienced during 2022 and 2023.

ACTION: We are also happy to use bespoke assumptions. The employer must let the fund know if they want to adopt a different mortality assumption. We would suggest that these are agreed in advance with the employer's auditors.

Please note that any changes to demographic assumptions, including changes to be in line with the fund's latest actuarial valuation or the latest CMI model, will incur additional fees.

Other demographic assumptions

Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Assumption	Detail
Commutation	Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations
Normal retirement	Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
50:50 take up	The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

This is in line with the assumption adopted for the fund's latest actuarial valuation.

Additional requirements

Experience items allowed for since the previous accounting date

Full valuation update

For employers in England and Wales, the next triennial valuation date is 31 March 2025. The results of the 2025 valuation will not be finalised at the time which 31 March 2025 year end accounting reports are prepared. The statutory deadline for completion of the 2025 valuation is 31 March 2026, after which time the results can be allowed for in employer accounting reports.

Further detail on the experience item can be provided on request and will incur additional fees.

Allowance for inflation experience

Our default approach is to allow for actual pension increases which will apply at the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2024 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

For most employers, an allowance for the 2024 pension increase was made when preparing their 2024 year-end accounting balance position. In addition, we would have allowed for actual ONS CPI inflation experience from September 2023 (the month that determines the 2024 pension increase order) to 31 March 2024, or the most recent available data at the time the 2024 year-end report was prepared.

The inflation experience to 31 March 2025 will allow for ONS CPI inflation observed over the year to 31 March 2025, or based on the latest data available when the report is prepared.

ACTION: Please note that additional fees will be incurred to incorporate an allowance for inflation experience. The employer must let the fund know if they do not wish to allow for inflation experience.

The CPI inflation observed from last time's accounting date up to the most recent information available has been slightly below the long term rate of inflation assumed over the same period for a typical LGPS employer. Therefore, allowing for recent inflation is expected to slightly improve the balance sheet position for most employers.

Accounting modeller

Employers have an option to purchase our accounting modeller to help inform their decision on the financial and demographic assumptions used to produce their IAS19 or FRS102 pensions accounting report. For example, the modeller allows employers to change the 31 March 2025 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2025 and also on the Profit and Loss projections for the year to 31 March 2026. We would be happy to provide further information on the modeller features and the associated fees if required.

Asset ceilings

The accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling". We strongly suggest that an employer wishing to recognise an accounting surplus obtains a detailed asset ceiling calculation from their actuary.

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Our default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on our interpretation of IFRIC 14 *"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*. For employers reporting under FRS102, the accounting standards are less prescriptive regarding the methodology underpinning an asset ceiling calculation, however in the absence of any other guidance we consider it reasonable to have regard to IFRIC 14 which applies under the international standard.

IFRIC 14 itself is open to multiple interpretations and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIPFA dated November 2023 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, we intend to adopt the below methodology as standard:

Asset ceiling methodology

Our calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:
  - If the employer is a scheduled body, and academy or an admission body which is open to new members with no anticipated contract end date, we will assume they will participate indefinitely. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'.

  - If the employer is an admission body which is closed to new members, the appropriate time horizon to consider will be the shorter of any anticipated contract end date and the average future working lifetime of active members. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, with reference to an annuity corresponding to this period.
- If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.
- Our default view is that administration expenses are assumed to grow in line with salary inflation, and are deductible from any economic benefit when determining if an accounting asset can be recognised.
- For employers reporting under IAS19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

If your auditor has a preferred approach which differs from that outlined above, this should be communicated to Barnett Waddingham, otherwise our default method will be used.

FRS102

In the absence of further guidance, our standard approach is to assume IFRIC14 applies to FRS102. If you report under FRS102 and have been provided with advice that IFRIC14 does not apply, we can prepare a disclosure using an alternative methodology. The methodology remains similar, however there is no requirement to value the minimum funding requirement (MFR) so the asset ceiling calculation is simplified to only include the present value of the future service cost. You should indicate to Barnett Waddingham if you would like an asset ceiling calculation performed using this methodology.

The current approach may differ from the approach which was used to prepare last time's accounts, however as above this largely reflects updated guidance which has been released since then.

Please get in touch if you or your auditor require any further details regarding our approach.

ACTION: Employers should consider which approach is most appropriate to use in the event a surplus is revealed on their 31 March 2025 position. Please note that additional fees will be incurred to allow for an asset ceiling calculation.

Valuation of unfunded benefits

Employers may need to include the value of unfunded benefits for their accounts.

The unfunded liability will continue to be based on a roll forward of the results at the previous accounting date.

New discretionary benefits awarded or recognised in the accounting period are allowed for as a past service cost.

ACTION: Our default approach is to carry out a roll forward from the latest fund valuation. We would be happy to provide further information and the associated fees around the full valuation of unfunded benefits at the accounting date if required.

Pass-through admissions

There are many different types of employers who participate in the LGPS. It is common for tax-raising bodies (i.e. local councils) and academies to outsource some services to private contractors. Such contracts may be let with 'pass-through' arrangements. This is essentially a risk-sharing arrangement – the extent to which risks are shared between the contractor and the letting authority may vary slightly from case to case. Principally, the risk which is shared is the risk of a shortfall in funds at the point of pass-through contractor's cessation date. The extent that contributions made by the pass-through contractor prove insufficient to meet the cost of benefits as they fall due would represent an additional cost to the letting authority. Therefore in such cases, actuarial and investment risks ultimately lie with the letting authority.

In absence of further direction from the employer, we will include the pension assets and liabilities associated with members under a pass-through admission body within the letting authority's balance sheet. When the admission body with pass-through provisions ceases their participation in the LGPS, the responsibility to meet the benefit payments of the members will fall back to the letting authority and hence justification for their inclusion in the balance sheet.

In addition, to the extent that the accounting cost of accrual is not met by the contribution rate paid by the pass-through employer, the extra cost should be borne by the letting authority and shown in their P&L as a component of the letting authority's service cost. We do this in practice by calculating the total cost of accrual for all staff, deduct employee contributions (for the letting authority and pass-through employer) and then also deduct pass-through employer contributions. We describe this in our accounting reports as "*Contributions by scheme participants and other employers*". However, we accept that other approaches may also be perfectly acceptable.

Other considerations

McCloud/Sargeant judgments

Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Please see FAQs for further details.

Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlements IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor’s discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Employers accounting under the FRS102 standard

We note that the FRS102 standard is silent on the treatment of settlements and curtailments, and in particular there is no explicit requirement to adopt a similar approach to that set out above for the IAS19 standard.

ACTION: Our default approach for IAS19 reports is to assume that all events are material and therefore will adopt the approach set out in the IAS19 amendment. We provide each administering authority with a summary of the events we are aware of and these will be communicated to each employer. If the employer does not want to treat all the events in this way then we would strongly recommend that they engage with their auditor in advance of the preparation of their report to understand their materiality limit and establish which events fall outside of this.

Unless instructed otherwise we will proceed with our default approach and please note that additional fees will apply, details of which can be provided by the administering authority.

Our default approach for FRS102 reports is to not remeasure the net defined benefit liability at the event date, and this is consistent with the approach at the last accounting date. We are happy to adopt an approach in line with that set out above for the IAS19 reports if requested by the employer, but please note that this will incur additional charges.

Details of whether the remeasurement approach has been adopted at an event date or not will be set out in the employer's report.

Please see FAQs for further details.

Goodwin case

We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case. Please see FAQs for further details.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and MHCLG on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgment. Please see FAQs for further details.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

Our standard assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome. Please see FAQs for further details.

Virgin Media case

Court of Appeal's 25th July 2024 Ruling

In very broad terms, the background to this case is that where the rules of a contracted-out defined benefit scheme were amended, the Scheme Actuary would provide a "section 37" confirmation that the scheme continues to meet the contracting-out requirements. The original court case in June 2023 decided that certain rule amendments were invalid in absence of the actuarial certification (potentially including cases where such a confirmation cannot now be located). More details can be found in our blog on the original High Court Ruling.

LGPS considerations

For the LGPS, the Scheme Actuary is the Government Actuary's Department (GAD). We understand that GAD is currently reviewing historic amendments to the LGPS in this context and the Scheme Advisory Board are liaising with GAD on whether the relevant certificates were available for past scheme changes.

The most recent LGPC Bulletin 257 - Nov 2024 states that HM Treasury is currently assessing the implications for all public service pension schemes, however, HM Treasury do not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. We understand their view to be that the relevant amendments in the LGPS would have been made by legislation – and therefore would remain valid until revoked or repealed by subsequent legislation, or declared void by a court.

Our view is that at this point in time there remains insufficient information to assess the potential impact, so we are unable to quantify it. However, employers may wish to include a narrative disclosure in their accounts to reflect the current position as outlined above.

Appendix 1 - Associated risks of participating in a defined benefit scheme

In general, participating in a defined benefit pension scheme means that an employer is exposed to a number of risks:

Risk	Comment
Investment risk	The fund may hold investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
Inflation risk	All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
Longevity risk	In the event that the members live longer than assumed a deficit will emerge in the fund. This may be mitigated by a longevity insurance contract if held by the fund. There are also other demographic risks.
Climate risk	Climate risk can be grouped into two categories; Physical and Transitional risks. Physical risks are direct risks associated with an increased global temperature such as heatwaves and rising sea levels. Transitional risks are the costs of transitioning to a low carbon economy. These risks will manifest themselves in many of the other risks detailed above which the fund is exposed to, for example investment returns may be affected.
Regulatory risk	Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.
Orphan risk	As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund. Changes in the funding level of the LGPS fund's orphaned liabilities could result in asset experience passed on to the Employer following a full valuation update.

All of the risks above may also benefit an employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

For further details on the funding strategy please see the relevant LGPS fund's latest Funding Strategy Statement.

Appendix 2 – Reconciliation of defined benefit obligation

The relative size of the items which appear in the reconciliation of the Employer's defined benefit obligation will depend on the order in which the actuary has assessed the items when constructing the closing balance sheet position. The order of the reconciliation items will affect the size of each item but should not affect the closing defined benefit obligation itself.

The order in which these reconciliation items are assessed to prepare pensions accounting reports is provided below.

Start - Open position, last year's closing position

1. ***Current service cost*** – cost of benefit accrual based on last year's assumptions
2. ***Contributions by other participants*** – e.g. employee contributions and other employers
3. ***Benefits paid net of transfers in*** – e.g. pensions in payment
4. ***Settlements*** – transfer of members in/out of the employer
5. ***Curtailments*** – e.g. unreduced early retirement grants
6. ***Past service costs*** – e.g. an employer decision to award additional service to a retiring employee
7. ***Interest cost*** – interest on opening liability, net cashflows and curtailments and settlements over the accounting period
8. ***Member Experience*** – update to member data to the latest full valuation data
9. ***Inflation Experience*** – inflation observed over accounting period
10. ***Change in demographic assumptions*** – e.g. mortality assumption update
11. ***Change in financial assumptions*** – impact of change in market conditions

End – Closing defined benefit obligation.

Final Accounts 2024/25 Risk Register

										Score with Existing Mitigation				Planned Mitigation (if any)			Score with Planned Mitigation						
ID	Date Opened	Status	Service Area	Risk Type	Risk Owner	Event (description of risk)	Consequences of Event occurring	Existing Mitigation	Existing Assurances	Likelihood 1 Minor 2 Moderate 3 High	Impact 1 Minor 2 Moderate 3 High	Calculated Risk Severity	Risk Option Chosen	Action	Lead	Due Date	Likelihood 1 Minor 2 Moderate 3 High	Impact 1 Minor 2 Moderate 3 High	Calculated Risk Severity	Contingency (should the Event actually occur)	Due Date for next Review	Actual Date of last Review *or* Date Closed	Comments
1	05/11/2016	Open	Financial Control	Internal Financial Systems and Funding Risks	Peter Davy	External auditor will detect a material mis-statement in the accounts.	Could impact on the financial health of the Council and reputation of Financial Services	Regular review of GL transactions against budget, reconciliations, quality review of final account working papers, PBC owners designated	Senior officers review reconciliations and working papers. Checking systems throughout the year are in place. CFO does a final review.	1	1	1	Accept risk as is	no further actions identified	Peter Davy		1	2	2	Amend the financial statements and report to members	13/11/2025	31/01/2024	
2	05/11/2016	Open	Financial Control	Internal Governance - Risks around Non-Compliance re: Technical accounting	Peter Davy	The correct accounting treatment has not been followed due to omission, error in interpretation	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Updated procedures, up to date technical reference library, attendance at external briefings, learning & development framework	Internal audit reports. Final accounts working papers signed off by senior officer. Working papers are subject to second review by different senior officer.	2	1	2	Mitigate risk (reduce)	QA on all working papers undertaken by expert.	Peter Davy		1	2	2	Amend the GL entries and financial statements	13/11/2025	31/01/2024	continuous improvement process
3	05/11/2016	Open	Systems	Internal Financial Systems and Funding Risks	Peter Davy	Errors are made in year end procedure for closing financial system	Could lead to late production of accounts, impact on the reputation of Financial Services and possible additional costs.	Technology One closedown timetable and documented procedures	Written procedure notes	2	1	2	Accept risk as is	Balance Sheet Review to December. Regular checking of control account balances over year end period to ensure no further movement after closing system.	Peter Davy		1	1	1	Restore Technology One and re-process data with IT support	13/11/2025	31/01/2024	
4	05/11/2016	Open	Financial Control	Risks around Employment and People	Peter Davy	Team members do not comply or are unable to comply with the timetable	Could lead to late production of accounts, impact on the reputation of Financial Services and the Council and possible additional costs.	Final accounts closedown timetable that is clearer to follow and devolved responsibilities. Training delivered annually as part of closedown process	Flexi rules suspended, 1-2-1 meetings with PBC owners, support and learning, procedures built into working papers, code guidance	2	2	4	Mitigate risk (reduce)	More support for officers in time management, improve communication over the closedown plan. Expectation that additional hours will be required to manage workload during this period	Peter Davy		1	2	2	reprioritise work, bring in weekend working if necessary and external resources	13/11/2025	31/01/2024	
5	05/11/2016	Open	Financial Control	Risks around Employment and People	Peter Davy	Team members leave or are ill, together with in-experienced team members taking on new roles.	Could lead to late production of accounts, impact on the reputation of Financial Services and the Council and possible additional costs.	Procedure notes for main areas	Procedures built into working papers. Earlier preparation, so QA in January, flexible working	2	2	4	Mitigate risk (reduce)	Work with PBC owners to identify issues. Mentor new officers and provide training where necessary to ensure all work areas have sufficient cover so that no one officer has the sole knowledge	Peter Davy		1	2	2	reprioritise work, bring in overtime - external resources	13/11/2025	31/01/2024	
6	05/11/2016	Open	Financial Control	Risks around Employment and People	Peter Davy	Team members do not provide adequate working papers	Could lead to additional audit costs by delaying time for completion.	standard template in place	Two senior officer signs off working papers. PBC owner reviews	2	2	4	Mitigate risk (reduce)	All WP's include instructions. Officers responsible for checking against the Code. QA twice	Comie Campbell		1	2	2	Rework any deficient WPs	13/11/2025	31/01/2024	continuous improvement process
7	05/11/2016	Open	Systems	Internal Financial Systems and Funding Risks	Peter Davy	There are issues with the asset register	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Capital closedown procedure notes in place. Principal Accountant supported by the Corporate Finance Team Manager understand capital and year end requirements	Principal Accountant oversees the work area. Team Manager Review	2	2	4	Mitigate risk (reduce)	Support to be provided to Corporate Principal Accountant if necessary. Capital closedown work to be reviewed by senior officer. New capital WP's templates set up	Comie Campbell		1	2	2	re-work asset figures and transactions	13/11/2025	31/01/2024	continuous improvement process
8	05/11/2016	Open	Financial Control	Operational Service Delivery Risks	Peter Davy	Not providing audit with correct information in a timely manner.	Could lead to additional audit costs by delaying time for completion.	New protocol established including WP's to meet PBC requirements	Regular liaison with audit	2	2	4	Mitigate risk (reduce)	Regular meeting with Audit Lead. Working Papers QA twice	Comie Campbell		1	1	1		13/11/2025	31/01/2024	continuous improvement process
9	05/11/2016	Open	Financial Control	Internal Financial Systems and Funding Risks	Peter Davy	Ensuring all accounts are reconciled where there are system related imbalances	Could lead to additional audit costs by delaying time for completion.	policies established including balance sheet recs	Monitored by senior officer and at monthly team meeting	1	2	2	Accept risk as is	no further actions identified	Peter Davy		1	2	2		13/11/2025	31/01/2024	
10	05/11/2016	Open	Financial Statement	Client Risk managed by Financial Services	Peter Davy	Service managers do not comply with closedown timetable or provide adequate information.	Could lead to additional audit costs by delaying time for completion.	Training and Briefings. Meetings with Key Stakeholders	No issues in prior years	1	1	1	Mitigate risk (reduce)	regular liaison, no previous year issues	Business Partners		1	1	1		13/11/2025	31/01/2024	
11	05/11/2016	Open	Financial Statement	Client Risk managed by Financial Services	Peter Davy	Elected members do not return related party questionnaires	Could lead to additional audit costs by delaying time for completion.	liaise with key members	Monitoring and reminders issued. Members who leave during year now complete a return as part of exit process	3	1	3	Mitigate risk (reduce)	Engage the support of the Chair/Vice Chair of G&A. Early liaison with S151 and member services. Capture disclosures from any member/officer leaving during the year	Comie Campbell		1	1	1		13/11/2025	31/01/2024	
12	05/11/2016	Open	Financial Statement	Client Risk and Financial Services Risk	Peter Davy	Material Misstatement due to Fraud	Could lead to material misstatement and impact on the financial health of the Council and reputation of Financial Services	Systems of internal control including internal audit	Audit reports monitored by Senior managers and MT	1	3	3	Mitigate risk (reduce)	Regular budget and reconciliation monitoring, internal controls incl authorisations and separation of duties	Comie Campbell		1	1	1	Amend the financial statements	13/11/2025	31/01/2024	
13	07/06/2017	Open	Financial Statement	Client Risk managed by Financial Services	Peter Davy	Subsidiaries/other companies do not provide the data needed for group accounting	Not issuing the Statement for publication by 30/06/25	Liaison with key officers. Financial services control accounting	Minimal and no issues last year. Group accounts potentially not material	2	2	4	Mitigate risk (reduce)	Plan with external accounts when statement of accounts to be completed by and if they require auditing	Richard Staniforth		1	2	2		13/11/2025	31/01/2024	
14	05/11/2016	Open	Financial Statement	Statutory Deadline exceeded	Ian Knowles	Not issuing the Statement for publication by 30/06/2025	Reputation, more items identified for amendment on Audit. ISA 260 recommendations, material misstatements if estimates to be used more	Prior years working towards earlier closedown, successfully achieved	Tighter timetable monitoring, ownership of tasks, any issues picked up on audit are amended.	1	3	3	Mitigate risk (reduce)	Work closer with Auditor, agreement of estimates and process and PBC list, deal with issues as they come along. Appoint agency support and or additional working hours	Richard Staniforth		1	2	2	Communicate with Auditor and Members as national publication for those authorities which do not achieve deadline - reputational risk	13/11/2025	31/01/2024	
15	14/11/2019	Open	Financial Statement	Client Risk managed by Financial Services	Peter Davy	Impact from Brexit	A lessening in the material change to the valuation of property at the 31/03/2025, with particular reference to those assets valued on the Direct Replaceable Cost (DRC method). A lessening in the material change to the valuation of the Pension Fund due to fluctuations in equities and so forth.	Liaison with key officers, external valuers Wilks, Head and Eve and Pension Fund Administrators Lincolnshire County Council and Actuary. Financial Services control accounting.	The uncertainty of the effects of Brexit have reduced with the passing of time.	2	2	4	Mitigate risk (reduce)	Work closely with Auditor and External Valuers to agree the level of assurance and evidence required for Property valuations Close the accounts using the Pension Estimate report and make the relevant accounting adjustments, then obtain an actual report in May to compare for material change. If a material change is deemed to of occurred the relevant accounting amendments will be made prior to the publication of the draft financial statements 31/05/2025	Richard Staniforth		1	2	2	Additional funds to be set aside to mitigate financial risk of capital loss on sale of assets. Higher contributions to pension fund over the long term	13/11/2025	31/01/2024	

Agenda Item 6f

Governance and Audit Committee
22 April 2025

Subject: Constitution amendments – Articles and Committees

Report by:	Monitoring Officer
Contact Officer:	Lisa Langdon Assistant Director for People and Democratic Services and Monitoring Officer. Lisa.Langdon@west-lindsey.gov.uk Katie Storr Democratic Services and Elections Team Manager
Purpose / Summary:	The purpose of this report is to provide further detail to the Committee regarding the second stage of the Constitution review and to seek amendments are made to the Council's articles and committees in accordance with the legal advice received, to ensure the Constitution is up to date with legislative requirements and remains fit for purpose. The Governance and Audit Committee are asked to RECOMMEND the report to Council.

RECOMMENDATION(S):

The Governance and Audit Committee are asked to:

(1) Receive and note the position in relation to the Constitutional amendments relating to articles and Committees.

(2) Accept the Constitution amendments as outlined in Appendix 1 and recommend their approval to the full Council meeting on 12 May 2025.

IMPLICATIONS

Legal:

The Council is required by law to prepare, and keep up to date, the Constitution (Section 9P Local Government Act 2000 as amended).

It is not uncommon for authorities to update Constitutions in a piecemeal fashion over time due to the length and complexity of Constitutions. Therefore, an external "health check" Constitution review has been carried out by expert governance lawyers. The document produced is legally privileged and does not form part of this report, however committee members have had sight of the full legal advice beforehand and received a briefing of this advice from the Monitoring Officer on 13th January 2025 .

The external legal advisors have undertaken many constitutional reviews for local authority clients.

Financial :

There are no financial implications associated with this report

Staffing : There are no staffing implications arising from this report. The work is primarily conducted by the Monitoring Officer, Deputy Monitoring Officer with the senior officers on the Management team being regularly updated.

Equality and Diversity including Human Rights : It is imperative that when dealing with all governance issues, people are treated equally and fairly. The Monitoring Officer, Deputy Monitoring Officer and wider team are aware of Equality legislation and ensure that equality and diversity is considered and applied as appropriate at all times.

Data Protection Implications : There are no direct data protection implications associated with this report. Good governance should ensure that the GDPR 2016 and associated regulations and guidance are complied with, and the Monitoring Officer and Deputy Monitoring Officer are aware of the need to adhere to these requirements. The Assistant Data Protection Officer reports directly to the Monitoring Officer and works closely as required with the Deputy Monitoring Officer.

Climate Related Risks and Opportunities: The organisation is aware of its responsibilities surrounding climate change, and much of the work referred to within this report is conducted over email with limited printing of paper documents, and where possible meetings and discussions are held virtually using the MS teams function, thereby saving in fuel costs and emissions.

Section 17 Crime and Disorder Considerations: Whilst there are no direct implications, the work carried out by the Monitoring Officer and wider teams contributes to cohesion and informal resolutions within communities, and therefore promotes community safety. The Monitoring Officer and Deputy Monitoring Officer are able to provide a police contact to anyone who suspects or alleges criminality.

Health Implications: There are no health implications arising from this Report.

Title and Location of any Background Papers used in the preparation of this report :
https://democracy.west-lindsey.gov.uk/ieListDocuments.aspx?CId=132&MId=3617&Ver=4

Risk Assessment :
Good governance and up to date practices and procedures for decision making ensure the organisation is legally compliant, whilst protecting against ultra vires decisions. Further, good governance is essential for ensuring value for money and protecting against reputational damage, and financial loss. Ensuring good governance at all levels protects the organisation from external claims and challenges. "Failure to comply with legislation" and "inability for the Council's governance to support quality decision making" are strategic risks for the organisation and these risks are considered regularly by the Management Team prior to consideration at the Governance and Audit committee. The Constitution is Council's key document for governance and powers, and compliance with the Constitution is essential to keep the organisation safe and legally compliant.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**X**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**X**	**No**	

1 **Background**

1.1 The Council's Constitution is the key governance document for the organisation, and sets out the Council's functions, how the Council operates, the terms of reference for the Committees, the Articles, the Codes and Protocols, the delegated functions of officers and various procedure rules, including the Contract Procedure Rules. Members should note that this review did not include consideration of the Contract Procedure Rules as this is a separate, discrete piece of work that required finance and procurement involvement and direction, particularly in light of the changes from the Procurement Act 2023. The work was completed and reported to both Governance and Audit Committee and Council in January 2025

1.2 The Constitution is a legal document and often referred to in governance circles as a "living" document as the legal requirements are often subject to change, the membership of Councils and therefore political balance changes, Codes and Protocols are updates over time, and officer delegations may change over time. This results in Constitutions being amended piecemeal over time which can result in inaccuracies, duplications or omissions. Therefore, it is good practice to seek a health check review which can provide holistic consideration of the document itself, and ensure it is legally compliant and in line with up to date practices.

1.3 Members of the Governance and Audit Committee have previously received a report on the work which has been carried out to ensure the Constitution is a legally compliant and fit for purpose document, including a briefing session being provided in January 2025. This report concentrates on the second stage of that process which considers some amendments to the Council's Articles and Committee numbers.

1.4 As any changes to Committee numbers are considered in any event at the Council's AGM and as previously indicated to the Committee, it was prudent to wait until this point to consider these amendments due to the close proximity of the AGM in May.

1.5 Members can be assured that the external health check review work does find the Constitution to be a "largely legally compliant" document, however it can be updated and improved in some areas and that is what this report aims to do.

3. The Amendments

3.1 The required amendments seeking approval are detailed at Appendix 1. These amendments are either good practice or legally required, and were highlighted in the legal advice as amendments that needed to made. It is recommended they are approved and recommended for approval at the full Council meeting in May.

3.2 In relation to the Council's Standards Committee, CIPFA formally advise against placing this committee within the audit committee sphere, therefore it is outlined in Appendix 1 that the Standards committee is kept separate from other committees and becomes a full Committee in its own right. This results in an amendment to the Governance Audit Committee's Terms of Reference and removes the need for the Standards Committee to have its own Article.

3.3 The Council's licensing functions under the Licensing Act 2003 are an entirely separate regime and must be dealt with distinctly from the Council's other licensing and regulatory matters, and it is therefore advised this is fact is made clearer by creating a separate committee article which can be seen at Appendix 1a, as opposed to the current arrangement where is listed with all the other committees.

3.4 Article 6 of the Constitution should be amended to "appoint" a Leader as opposed to "elect". The reason for this is that in a committee system form of governance, the Council appoints its Leader and this role is acknowledged to be held by the leader of the largest political group. The appointed Leader through the Constitution is also granted Chairmanships of the Corporate Policy and Resources Committee and the Chief Officer Employment Committee (appointed at the annual council meeting unless he/she chooses to appoint a nominee).

3.5 The Chief Officer Employment Committee should be increased to meet the requirements for the Joint National Council (JNC) process for chief officer disciplinary matters. This requires that the Committee would need to form an Investigation and Disciplinary sub committee, and also be able to form a separate appeals panel if needed. To ensure quoracy, it is suggested the numbers on this Committee are therefore increased from 8 to 9. The Officer Employment Procedure Rules have also been amended to comply with the JNC Conditions of Service handbook (previously the rules only referred to an Independent Panel and the amendment makes provision for an Investigation and Disciplinary sub committee and an Appeals Panel.

3.6 Article 10 considers Joint Committee Arrangements and currently advises that: -

"Details of any joint arrangements, including any delegations to joint committees, will be found in the Council's Responsibility for Functions in Part IV of this Constitution"

Therefore, reference should be made in Part IV to the District Joint Committee for devolution and the CLJSPC, these references are currently absent.

4 Next steps

4.1 It is recommended that the changes outlined at Appendix 1 are accepted and recommended to the AGM in May for approval.

Appendix 1

1.Changes arising from Para 3.2.

- Article 9 to be deleted in its entirety Microsoft Word - Part II Articles
- the Committee be added to the list of Committees in Article 8 under 8.2
- the Governance and Audit Committees Terms of Reference (part IV page 9 be amended as follows: -

"(d) Ethics and standards

1. Promote and maintain high standards of conduct by Councillors and co-opted members"

Be removed.

- The word Sub be removed from the Standards Committee's title on its term of reference page

2.Changes arising from Para 3.3

- A new article be included as attached at Appendix 1 a (which will become article 9)
  The Licensing Committee and the below reference be deleted from the list of Committees in Article 8 under 8.2 Article Microsoft Word - Part II Articles

  "Hearings about licensing matters will be considered by the Licensing Sub-Committee for liquor licensing or gambling (Licensing Act 2003 and Gambling Act 2005) and by the Regulatory Sub-Committee for all other matters"

  This is now expressed in the newly created Article.

3. Changes arising from Para 3.4

- Article 6 be amended as shown at Appendix 1 b

4. Changes arising from Para 3.5

- The Chief Officer Committee Procedure Rules be amended as shown at Appendix 1c.

5. Changes arising from Para 3.6

- New Pages be created after Page 23 in Part IV Responsibility for Functions as shown in Appendix 1d .
- The following be added to the Governance and Audit Terms of Reference.

“To approve any changes to the District Joint Committee which are deemed more than “house-keeping” – House keeping amendments can be made by the MO following consultation with the Chairman of the Committee.”

(Note this matter was previously agreed by Council in 2024/25.

6. General Amendments then arising

- The changes to the Committee’s above will result in a new diagram being developed at Article 8 page 20 to shown the District Joint Committee, that the Standards Committee is a full Committee and to make it clear that the JSCC is not subject to the Local Government Act 1972 Article [Microsoft Word - Part II Articles]

- Indexes and Contents Pages will also be amended.

Appendix 1 A

New Article 9 - Licensing Committee

9.1 The Licensing Committee is established under Section 6 of the Licensing Act 2003 and Section 154 of the Gambling Act 2005. It is distinctive from the Council's other Committees which are governed by Section 101 of the Local Government Act 1972.

9.2 There is no requirement for the Committee to be politically balanced (unlike the Council's other Committee's) The provisions of the Local Government (Committees and Political Groups) Regulations 1990 do not apply.

9.3 Functions

To be responsible for:

1. Exercising the Council's functions as licensing authority so far as required or permitted by the Licensing Act 2003, as amended, in accordance with sections 6, 7, 9 and 10 of that Act, associated regulations and the delegation set out in appendix 1 of the Statement of Licensing Policy.
2. Recommending the setting and adoption of the Statement of Licensing Policy to the Council.
3. Exercising the Council's functions as licensing authority under the relevant sections of the Gambling Act 2005, associated regulations and the delegations set out in appendix 1 of the Gambling Policy (Statement of Principles).
4. Recommending the setting and adoption of the Gambling Policy to the Council.
5. Making arrangements for any hearing in relation to these responsibilities to be considered and determined by the Licensing Sub-Committee for matters relating to the Licensing Act 2003 or Gambling Act 2005.

9.4 Hearing Panels

9.4.1 Hearings about licensing matters will be considered by the Licensing Sub-Committee for liquor licensing or gambling (Licensing Act 2003 and Gambling Act 2005)

9.4.2 Any member of the Licensing Committee may be called upon to sit on the Licensing Sub-Committee to deal with applications under the Licensing Act 2003 (three Members plus one reserve).

9.4.3 Meetings of the Licensing Sub-Committee are convened as and when necessary and the quorum of Hearings shall be three Members.

9.4.4. Natural Justice Principles will apply to all Hearings

Note:

Any Member wishing to serve or substitute on this Committee must have undertaken such training as deemed appropriate by the Monitoring Officer, and as a minimum, within the previous two years of the date of the meeting.

Members who have not received the appropriate training will not be permitted to sit on the Committee when it is determining Policy matters and will not be eligible to sit on Hearings heard under the Sub-Committee arrangements

Appendix 1 b

Article 6

Leader of the Council

6.1 The Leader of the Council

The Leader is a Councillor ~~elected~~ appointed by the Council to the position of Leader.

The term of office for the elected Leader is one year. The Leader is ~~elected~~ appointed at

the annual meeting of the Council and holds office until the next following

annual meeting or:

(a) s/he resigns from the office; or

(b) s/he is no longer a Councillor; or

(c) s/he is removed from office by resolution of the Council in which case a

new Leader shall be ~~elected~~ appointed at the next appropriate meeting or ceases to be Leader of the largest Group

6.2 ~~Election~~ Appointment of the Leader

West Lindsey District Council Operates a Full Committee system as such the Leader of the largest Group will be the Leader of the Council and will be appointed at the Annual Meeting.

~~Nominations for the position of Leader will be made in writing to the Head of Paid Service of the Council no later than seven working days before the day of the annual meeting (or next appropriate meeting in respect of (a) to (d) in paragraph 6.1). The proposer must first obtain the consent of the nominee. Nominations must be proposed and seconded. In the event that more than one eligible nomination is received a ballot of the members will be held at the annual meeting. The Chairman of the Council will preside and, in the event of an equality of votes will exercise a casting vote in accordance with Council Procedure Rule 14.2.~~

6.3 Role of the ~~elected~~ appointed Leader

The Leader of the Council will have the following roles, rights and responsibilities, in addition to those set out in Article 2.3

(a) to be the local authority's principal public spokesman;

(b) to give clear leadership to the Council and the community;

(c) to be the lead member for matters regarding the priorities and aims of the administration and its political manifesto;

(d) to report as necessary to the Council;

(e) to be the Councillor of first choice to represent the Council at member level meetings with other local authorities and with other organisations;

(f) to act as the principal contact for the Chief Executive and Directors / Assistant Directors in seeking views and taking soundings at the political level across all groups;

(g) to be Chairman of the Corporate Policy and Resources Committee unless s/he signifies that s/he does not wish to serve.

(h) To be Chairman of the Chief Officer Employment Committee unless s/he signifies that s/he does not wish to serve.

The Leader of the Council may not be the Chairman of the Council, a member of the Overview and Scrutiny Committee, the Governance and Audit Committee or any sub-committee, working party, or panel set up by these committees. The Leader may be a member of but may not hold office on the Licensing, Regulatory and Planning Committees.

6.4 Deputy Leader of the Council

The Council will, at the Annual Meeting, ~~elect~~ appoint a Deputy Leader to act in the notified absence of the Leader, such notice to be given in writing by the Leader to the Head of Paid Service.

6.5 Role and Function of the Leader of the Opposition

To be the key political contact for matters relating to the priorities and aims of the opposition.

6.6 Leadership roles

The roles of Leader of the Council, Deputy Leader of the Council and Leader of the Opposition will be carried out having due regard to the role descriptions in the appendix to this Constitution

Officer Employment Procedure Rules

Rule 1. Recruitment and Appointment

1.1 Declarations

(i) Any candidate for appointment as an officer shall sign a written declaration stating whether they are the relative of an existing Councillor or officer of the Council, or of the partner of such persons.

(ii) “Relative” means a spouse, partner, parent, parent in law, son, daughter, stepson, step-daughter, child of a partner, brother, sister, grandparent, grandchild, uncle, aunt, nephew, niece, cousin or the spouse or partner of any of the preceding persons, and “partner” means a member of a couple who live together.

(iii) No candidate so related to a Councillor or an officer will be appointed without the authority of the relevant director or nominated officer by him/her.

1.2 Seeking support for appointment

(i) Subject to paragraph (iii), the Council will disqualify any applicant who directly or indirectly seeks the support of any Councillor for any appointment with the Council. The content of this paragraph will be included in any recruitment information.

(ii) Subject to paragraph (iii) no Councillor will seek support for any person for any appointment with the Council.

(iii) Paragraphs (i) and (ii) above shall not preclude a Councillor from giving a written testimonial of an applicant’s ability, experience or character in relation to an application for a post.

Rule 2. Recruitment of Head of Paid Service and Chief Officers

2.1 Job Description and Advertising Where the Council proposes to appoint a Head of Paid Service or a Chief Officer, and it is not proposed that the appointment be made exclusively from among its existing officers, the existing Head of Paid Service, in consultation with the Chief Officer Employment Committee of the Council, shall:

(a) draw up a statement specifying the duties of the Chief Officer concerned and any qualifications or qualities to be sought in the person to be appointed;

(b) make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and

(c) make arrangements for a copy of the statement mentioned in paragraph (a) above to be sent to any person on request.

2.2 Interviews

(i) Where a post has been advertised as provided in Rule 2.1 above, the Chief Officer Employment Committee shall:

(a) interview all qualified applicants for the post; or

(b) select a shortlist of such qualified applicants and interview those included on the shortlist.

(ii) Where no qualified person has applied, the Head of Paid Service, in consultation with the Chief Officer Employment Committee, shall make further arrangements for advertisement in accordance with Rule 2.1(b).

Rule 3. Appointment of Head of Paid Service

3.1 The full Council will approve the appointment of the Head of Paid Service following the recommendation of such an appointment by the Chief Officer Employment Committee to the Council.

Rule 4. Appointment of Chief Officers

4.1 The Chief Officer Employment Committee will appoint chief officers and statutory officers. That Committee must include the Leader of the Council or his/her nominee.

Rule 5. Employment of Officers below Chief Officer

5.1 Appointment of officers below chief officer (other than assistants to political groups) is the responsibility of the Head of Paid Service or his/her nominee, and may not be made by Councillors.

Rule 6. Disciplinary Action and Dismissal – Statutory Officers

6.1 The Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) may not be dismissed or have disciplinary action taken against them unless the following points have been complied with.

6.2 Any disciplinary action required will be initially considered by an Investigatory and Disciplinary Sub committee (IDC) as set out under Local Authorities (Standing Orders) (England) Regulations 2001 as amended.

6.3 If the recommendation is dismissal, the authority must appoint an Independent Persons Panel which includes the independent persons who have been appointed by the authority

6.3 The Independent Persons Panel will meet at least 20 working days before consideration at a meeting of full Council. A report will be provided to that meeting with a recommendation from the IDC.

6.4 If the recommendation is action short of dismissal, the Statutory Officer has a right of appeal to an Appeals Committee consisting of members of Chief Officer Employment Committee.

6.4 Before the taking of a vote at the Council meeting on whether or not to approve such disciplinary or dismissal action, Members must take in to account, in particular:

a) Any advice, views and recommendations of an Independent Persons Panel if the recommendation is dismissal;

b) The conclusions of any investigation in to the proposed dismissal; and

c) Any representations from Statutory Officers.

Rule 7. Dismissal – Statutory Officers

7.1 Only full Council will approve the dismissal of the Head of Paid Service, Monitoring Officer or Chief Financial Officer following the recommendation of such a dismissal by the Independent Disciplinary Panel (Rule 6 above).

Rule 8. Disciplinary Action and Dismissal – Other Officers

8.1 Disciplinary action against and dismissal of officers below Chief Officer (Chief Exec) level is the responsibility of the Head of Paid Service or his/her nominee.

8.2 Councillors will not be involved in disciplinary action against or dismissal of officers below Chief Officer level except where such involvement is necessary for any investigation or enquiry into alleged misconduct through the Council's procedures.

8.3 Disciplinary and Dismissal of Chief Officers who are not Statutory Officers will be undertaken through the Chief Officer Employment Committee as set out in Part iv of this Constitution.

Note: Due to the nature of this Committee's work, on occasion it may be necessary for discussions to be recorded in the absence of a Democratic Services Officer. However, no decisions or votes will be taken in the absence of such an officer

Appendix 1d - New Section after page 23 Part IV responsibility for function

Joint Committee Arrangements.

The Council currently has two Joint Committee arrangements in Place.

* The District Joint Committee for Devolution; and
* the Central Lincolnshire Joint Strategic Planning Committee

District Joint Committee for Devolution.

The current secretariat for this Committee is North Kesteven District Council .

The Committees terms of reference and Membership can be viewed at xxxxxxxxxxxx(link to NKDC)

The Council's Governance and Audit Committee is responsible for approving any changes to these terms of reference.

Central Lincolnshire Joint Strategic Planning Committee

The current secretariat for this Committee is North Kesteven District Council .

The Committee' s terms of reference and Membership can be viewed at xxxxxxxxxxxxxxxx (link to NKDC)

Governance and Audit Committee	
22 April 2025	

Subject: Annual Report of the Monitoring Officer 2024/2025

Report by:	Monitoring Officer
Contact Officer:	Lisa Langdon Assistant Director for People and Democratic Services and Monitoring Officer. Lisa.Langdon@west-lindsey.gov.uk
Purpose / Summary:	The Annual Report from the Monitoring Officer aims to provide an overview of governance matters relating to this Committee. The Governance and Audit Committee are asked to RECOMMEND the report to Council. The report has historically been accompanied by the Annual Review of the Constitution including any proposed amendments to the Financial and Contract Procedure Rules. As reported to this Committee in November 2024, an External Health check of the Constitution was undertaken during 2024, resulting in a three-stage approach to address matters raised by that Check Stage 2 of that process is subject to a separate report on the Committee's agenda at this meeting.

RECOMMENDATION(S):

The Governance and Audit Committee are asked to:

(1) Receive the information contained with the Monitoring Officer's Annual Report and RECOMMEND it be submitted to Annual Council for endorsement;

(2) Agree that the governance outlined in Section 2 of the report, in respect of managing Commercial and Economic Growth, provides assurance that the council is taking appropriate mitigating measures against the risks identified in its commercial approach

The Governance and Audit Committee are asked to **RECOMMEND to COUNCIL**:

(3) the appointment of Ms Fiona Souter as a Member of the Independent Remuneration Panel until Annual Council May 2029 (Section 7.1) be approved.

(4) the appointment of Ms Sarah Lawrie as a Member of the Independent Remuneration Panel until Annual Council May 2029 (Section 7.1) be approved.

IMPLICATIONS

Legal:

The Council is required by law to prepare, and keep up to date, the Constitution. There is no legal requirement for the Monitoring Officer to produce an annual report of this nature, however it has previously been requested by Members and aims to provide transparency in respect of the wider governance associated work the Monitoring Officer is involved with on an annual basis.

Financial : FIN/5/26/GA

No financial implications arising from this report. Lay Members do attract a remuneration fee which is established by the independent Remuneration Panel. The fees are contained within existing budget provision.

Staffing : There are no staffing implications arising from this report. The work is conducted by the Monitoring Officer, Deputy Monitoring Officer and wider departments.

Equality and Diversity including Human Rights : It is imperative that when dealing with all governance issues, people are treated equally and fairly. The Monitoring Officer, Deputy Monitoring Officer and wider team are aware of Equality legislation and due to the sensitive nature of this work, particularly that relating to complaints made under the Standards regime, ensure that equality and diversity is considered and applied as appropriate at all times.

The provisions under the Regulation of Investigatory Powers Act 2000 are founded on the premise of protecting human rights, and the governance surrounding this legislation ensures the human rights of the residents of West Lindsey are protected.

Data Protection Implications : The information contained in this report is, by its very nature, personal and often sensitive data. Therefore, staff only know about specific information if they need to, and information is kept confidential as appropriate, with care being taken in relation to the sending out of correspondence (such correspondence being marked “confidential” where necessary).

Climate Related Risks and Opportunities: The organisation is aware of its responsibilities surrounding climate change, and much of the work referred to within this report is conducted over email with limited printing of paper documents, and where possible meetings and discussions are held virtually using the MS teams function, thereby saving in fuel costs and emissions.

Section 17 Crime and Disorder Considerations: Whilst there are no direct implications, the work carried out by the Monitoring Officer and wider teams contributes to cohesion and informal resolutions within communities, and therefore promotes community safety. The Monitoring Officer and Deputy Monitoring Officer are able to provide a police contact to anyone who suspects or alleges criminality.

Health Implications: There are no health implications arising from this Report.

Title and Location of any Background Papers used in the preparation of this report :

Monitoring Officer Annual Report 2022/23 submit to Council in May 2023

Risk Assessment :

Good governance and up to date practices and procedures for decision making ensure the organisation is legally compliant, whilst protecting against ultra vires decisions. Further, good governance is essential for ensuring value for money and that the Council is acting within its own powers and procedures at all times. Ensuring good governance at all levels protects the organisation from external claims and challenges.

"Failure to comply with legislation" and "inability for the Council's governance to support quality decision making" are strategic risks for the organisation and these risks are considered regularly by the Management Team prior to consideration at the Governance and Audit committee.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**X**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**X**	**No**	

1 **Introduction and Summary**

1.1 This report sets out the Annual Report of the Monitoring Officer for 2024 -2025, which aims to provide an overview in respect of governance matters associated with this Committee.

1.2 The report includes for information purposes: -

- details of the governance arrangements in place to manage Commercial and Economic Growth, including WLDC owned companies;
- presents a high-level data analysis of the number, nature and outcome of complaints received under the Code of Conduct, during the 2024/25 civic year;
- notification of pending appointments of Independent Lay Persons to various roles across the Council, for recommendation to Council where terms of office are due to expire;
- support the Monitoring Officer has provided to a number of Parish Councils to ensure their continued functioning;
- the use and frequency of urgent delegated committee decisions taken by the Head of Paid Service; and
- information in respect of the Council's Regulation of Investigatory Powers (RIPA) Policy and the number of times the Council has used it powers.
- This year's report also includes details of an internal audit undertaken on the Code of Conduct complaint process and summarises the arising recommendations to be implemented.

Monitoring Officer's Annual Report

2. Governance arrangements in place to manage Commercial and Economic Growth

2.1 The Sections below provide updated positions, together with information on how the Council governs its business interests.

2.2 **West Lindsey Owned Companies**

2.2.1 West Lindsey District Council controls ownership in the four companies listed below. These are managed using nominated representatives acting as Directors and carrying out the shareholder function. In practice the shareholder role is carried out by way of formal reporting to the Corporate Policy and Resources Committee.

<table>
<tr><th>Company</th><th>Reg. No.</th><th>Date incorporated</th><th colspan="2">WLDC Staff/Roles</th><th>Shareholding</th></tr>
<tr><td>WLDC Trading Ltd</td><td>10547086</td><td>Jan 2017</td><td colspan="2" rowspan="3">SGS– Director
Vacant – Director
Vacant – Shareholder Representative
PD - Secretary</td><td rowspan="3">Sole Shareholder</td></tr>
<tr><td>WLDC Staffing Services Ltd</td><td>10276205</td><td>Jul 2016</td></tr>
<tr><td>SureStaff (Lincs) Ltd</td><td>06476932</td><td>Jan 2018</td></tr>
<tr><td rowspan="3">Market Street Renewal Ltd</td><td rowspan="3">10298200</td><td rowspan="3">Jul 2016 – moved to wholly owned company in Sept 2023</td><td>SGS</td><td>Director</td><td rowspan="3">Sole Shareholder</td></tr>
<tr><td>AM</td><td>Director</td></tr>
<tr><td>Vacant

PD</td><td>Shareholder Representative

Secretary</td></tr>
</table>

Key: -
AM – Andrew Morriss – Independent Lay Member of the Governance and Audit Committee
PD – Interim Director of Finance and Assets (S151 Officer)
SGS – Sally Grindrod-Smith – Director of Planning and Regeneration, Projects and Growth

2.2.2 There has been a new Director appointment and a Director resignation for each of West Lindsey owned companies during 2024 – 2025. Additionally, a company secretary was appointed to Market Street Renewal Limited.

2.2.3 There is a vacancy for the shareholder representative for all the West Lindsey owned companies. The replacement for this role would need to be agreed by the Corporate Policy and Resources committee and confirmed at the next available board meeting for West Lindsey owned companies. There is also a Director Vacancy for Surestaff / Staffing Services which will require an appointment by the Corporate Policy and Resources committee.

2.2.4 Business Plans for West Lindsey Owned Companies are currently being updated for 2025. Business Plans will continue to be reviewed and presented to the Corporate Policy and Resources Committee annually.

2.2.5 In conclusion there have been no major concerns reported around the governance of the West Lindsey owned companies and they have not been subject to any legal challenge during the year 2024 – 2025.

2.3 Development Agreements

2.3.1 A development agreement is a term which is used to cover a variety of agreements amongst developers, landowners, purchasers, tenants and funders. Each agreement will, of course, require to be tailored to the parties and the circumstances of the particular development, but they tend to have a number of elements in common.

2.3.2 Many include some or all of the following obligations on the developer:

- to carry out the particular development in line with agreed plans and specifications;
- to procure the provision of collateral warranties by the contractor and consultants to the purchaser/tenants and funder;
- provisions which are designed to ensure the quality of the development;
- letting obligations, which set out the minimum criteria for any prospective leases which the developer seeks to secure, perhaps with an agreed form of lease attached; and
- A timetable for the development, including a longstop date for completing it.

2.3.3 The Council entered into a Development Agreement with MUSE in 2017 to support the regeneration of Gainsborough Town Centre. This was a five-year agreement and has now ended. The Council conducted a public procurement exercise to select a development [partner to lead the regeneration of RAF Scampton. The development partner was approved by the Corporate Policy and Resources committee in 2023, but the development agreement remains pending and subject to further discussions with the site owner. Should the discussions be successfully concluded the Corporate Policy and Resources committee will be presented with the final agreement for their consideration.

2.4 Commercial Property Portfolio.

2.4.1 At the Corporate Policy and Resources Committee on 13 April 2017 Members agreed a criteria for investment in commercial properties.

2.4.2 The criteria included Lot size, Location, Asset quality, Tenant ease term, Tenant Covenant, Occupation and Tenure. In addition the committee agreed to delegate the application of the criteria to the Chief Executive following consultation with the Chairman of Corporate Policy and Resources Committee.

2.4.3 The criteria was revised at the meeting of the Corporate Policy and Resources on 10th May 2018 to increase the purchase price range to £10 million. This was to enable the portfolio to be balanced and to take advantage of a gap in the market for lots between £5 million and £10 million.

2.4.4 Appendix 1 sets out the scoring criteria which is currently used to evaluate properties for the portfolio.

2.4.5 The Council has bought no additional investment properties during 2024/2025 and it is not envisaged that any further commercial properties will be purchased. .

2.4.6 Members have been regularly updated on these properties in the budget monitoring reports which are provided on a quarterly basis to the Corporate Policy and Resources Committee and this will continue to be the reporting mechanism regarding these investments.

2.4.7 As advised in the 2022 – 2023 Monitoring Officer's Annual Report, at the time of writing, the policy relating to Commercial Investments was due to being reviewed to ensure it accorded to the new government regulations relating to MRP.

2.4.8 This work was completed and the Council are fully compliant with the government regulations as outlined in the treasury management strategy approved by Council on 3rd March 2025.

3. Ensuring compliance with the Subsidy Control Act (2023)

3.1 The Subsidy Control Act (2023) was introduced during 2022 - 2023 replacing the State Aid legal requirements following Brexit. The new Act was designed to continue to ensure that the public sector applied a 'level playing field' approach to all aspects of procurement and therefore did not give undue financial support to bidders.

3.2 As reported in last year's Monitoring Officer Annual Report at the time of the Act's introduction the Council sought Legal advice to ensure it was adhering to all of the requirements it placed on Local Authorities, and received assurance it is complying with the new legislation.

3.3 Officers continue to review each of our major projects on a case by case basis to ensure full compliance and no matters of concern have been raised.

4 Procurement Act 2023 and Resulting Revisions to Contract Procedure Rules.

4.1 The withdrawal of the UK from the European Union (EU) provided the opportunity for central government to introduce new legislation governing public sector procurement and contract management, as our previous regulations (as detailed in the Public Contract Regulations 2015) were the enactment of an EU Directive.

4.2 The resulting Procurement Act received royal ascent in 2023 (with the provisions coming into effect on 28th October 2024) resulting in the Council having to review its processes, policies, regulations, constitution and practice to be updated.

4.3 This matter was the subject of a full report to the Governance and Audit Committee at its meeting on 21 January 2025 which included an updated set of Contract Procedure Rules which were subsequently recommended to and adopted by Full Council in January 2025.

4.4 Training sessions on the new requirements have been provided to staff.

5 Overview of the Number, Nature and Outcome Of Code of Conduct Complaints Received

5.1 The sections below set out the position in respect of Member Code of Conduct complaints data for the civic year 2024 - 2025 up to March 2025, with data having last been reported to Annual Council in May 2024.

5.2 During 2024 - 2025 19 complaints were received.

5.3 2 were in relation to District Councillors and 17 related to Parish Councillors.

5.4 The nature of these complaints is summarised below:

- Leadership 2 (2 Parish)
- Bullying/ Harassment 4 (1 District, 3 Parish)
- Respect 13 (1 District, 12 Parish)

5.5 The level of complaints has risen slightly when compared to last year (15 in total 1 District Councillor 14 Parish Councillors) but on the whole remains on a par to previous years. The increase can be accounted for by a cluster of complaints relating to one Parish Council.

5.6 It is to be expected that the Council will receive more complaints about Parish Councillors as opposed to District Councillors, given the very high number of Parish Councillors compared to District Councillors, this trend has borne out during 2024 - 2025.

5.7 The Monitoring Officer has issued one formal action against a District Councillor but none against a Parish Councillor during 2024-2025.

5.8 The Monitoring Officer does regularly offer advice, guidance and words of caution in a bid to avoid costly and time-consuming investigations in matters which in main can be resolved by informal actions, this will always be the preferred method resolution.

5.9 There were no full investigations required by the Council during this year 2024-2025.

5.10 The level of formal complaints will never truly demonstrate the amount of work undertaken by the Monitoring Officer and Deputy Monitoring Officer in supporting Councillors, particularly Parish Councils, nor does it reflect the numerous enquiries which the Monitoring Officer receives which fall outside of the Monitoring Officers powers, or the volume of correspondence issued to prevent matters progressing to a formal stage.

5.11 As advised in the 2023/2024 Monitoring Officer’s Annual Report, to increase knowledge and understanding around the Standards regime and the role of the Monitoring Officer, a series of training sessions were provided for Parish Councils during the Summer of 2024. These sessions were held during July of 2024.

5.12 The Government has recently announced it is reviewing the Standards Framework, and the Monitoring Officer will continue to keep abreast of any outcomes.

6. Code of Conduct Complaint Process Audit

6.1 The Code of Conduct regime was subject to an Audit in December 2024 and that Audit concluded that the process provided reasonable assurance. There were some follow up actions which included amendments to the internal spreadsheets, providing refresher training for those who facilitate the process, and also considering extension of the response timescale. These actions are being implemented by the Monitoring Officer and Deputy Monitoring Officer.

7. Pending Appointments for Lay and Co-opted Members recommended by the Monitoring Officer for Council Approval.

7.1 Independent Remuneration Panel Member

7.1.1 Recruitment for Independent Members of the Remuneration Panel took place during February /March 2025. One vacancy had arisen due to the passing of one member of the Panel.

7.1.2 A recruitment process was undertaken, generating three applications. However, one applicant withdrew prior to interview. Following a formal interview process, overseen by the Monitoring Officer and Chairman of the Governance and Audit Committee, the positions have been provisionally appointed to Ms Fiona Souter and Ms Sarah Lawrie, subject to approval by Council.

7.1.3 Council will be asked, at their Annual General Meeting, to approve that Ms Fiona Souter and Ms Sarah Lawrie be appointed as Independent Members of the Remuneration Panel for a period of four years commencing Annual Council May 2025 and ceasing at the Annual Meeting of Council in May 2029.

7.2 Future Expiration Dates of Lay Persons Roles.

7.2.1 Terms of Office across Lay positions available on the Council are aligned to expire on a rolling basis, as opposed to all appointments expiring at the same time, to ensure that some level of knowledge and experience is retained, 7.2.2 During 2025/2026 three roles expire, these being: May 2026 - Mr S Beard (Standards Independent Person); May 2026 - Mr R Quirk and Mr T Hall (both Independent Remuneration Panel)

7.2.3 Recruitment will be undertaken towards the end of 2025/2026 civic year.

8 Support to Parish Councils.

8.1 The Monitoring Officer regularly supports Parishes on an informal basis throughout the year. As well as powers and duties in relation to the Code of Conduct, the Constitution also provides the Monitoring Officer the relevant authority to: -

4. To make, under Section 91 of the Local Government Act 1972, temporary appointments of Members to Town and Parish Councils following consultation with the Chairman of the Governance and Audit Committee. (Part IV / Page 33)

8.2 These appointments are made to prevent the Parish Council becoming inquorate due to resignations and it is typical for the Ward Member to be appointed.

8.3 During 2024 – 2025 this intervention has been used twice assisting the following Parishes: -

- Fenton and Torksey Lock; and
- South Kelsey

8.4 The appointments made under Order of Section 91 are no longer in place, as both Councils are now quorate.

8.5 The Council continues to strengthen its partnership and are working more closely with the Lincolnshire Association of Local Councils (LALC). LALC continues to champion the adoption of the West Lindsey Code Conduct as we continue to Champion the raft of benefits afforded to Parishes by subscribing to the help and support of LALC

8.6 LALC also provided support in facilitated sessions organised by the Monitoring Officer to support a Parish Council experiencing some challenges. It is hoped this mutual support approach can continue.

8.7 The request for support can often exceed the internal resources available given there are over 600 parish councillors across the District. Requests also sometimes fall outside of Monitoring Officer's legal powers. To increase awareness of the Standards regime generally and the Monitoring Officer's role, as advised in Section 5 training sessions were held over the Summer 2024 and will be repeated periodically.

9 Urgent Delegated Decision Making Process

9.1 As anticipated in last year’s report, the use of the urgent delegated decision provision continues to subside and is now back to Pre-pandemic levels, and being used rarely.

9.2 During the civic year 2024 – 2025 to-date 2 urgent delegated decisions have been taken.

9.3 Members are notified of such decisions within 5 days of them having been made, they are also made available on the website for the public/ press. https://www.west-lindsey.gov.uk/my-council/decision-making-and-council-meetings/officer-decisions/

9.4 The Chairmen of the Corporate Policy and Resources and/or Prosperous Communities Committees, are always consulted, as required by the Constitution.

9.5 The Head of Paid Service has continued with his informal commitment to extend the delegation limits to include the Leader of the Opposition, something first introduced during the Pandemic, and they continue to be afforded consultation rights on all urgent delegated decisions taken, attending when available.

9.6 The five day notification target has been met for all such decisions taken during 2024-2025

10 Regulation of Investigatory Powers (RIPA)

10.1 The Human Rights Act 1998 requires the Council and organisations working on its behalf, pursuant to Article 8 of the European Convention, to respect the private and family life of a citizen, their home and their correspondence.

10.2 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising covert surveillance, the use of a covert human intelligence source (CHIS), or the acquisition of communications data. It seeks to ensure that any interference with an individual's right under Article 8 of the European Convention is necessary and proportionate. In doing so, RIPA seeks to ensure that both the public interest and the human rights of individuals are suitably balanced.

10.3 West Lindsey, in common with all Local Authorities, is required to have arrangements in place to ensure that it abides by these regulations. This includes having an up-to-date Policy, carrying out training and keeping appropriate records. All requests to carry out surveillance have to go through an authorisation process, which includes approval by a magistrate.

10.4 Following a review of arrangements in January 2021, Members are advised annually of the number of surveillance requests which have been approved. It can be confirmed that during 2024/2025 no requests for the use of the Power were made.

10.5 Whilst the Authority has not needed to use its formal RIPA powers over the last four years, the relevant officers are aware of RIPA and its implications. Information is also available for all officers on the Minerva intranet page.

10.6 The Monitoring Officer ensures the RIPA Policy remains up to date and fit for purpose.

Financial considerations				
Lot Size (Capital Value) - The core initial lot size target is £1.0m - £4m. Taking into account the Council's total investment return of £20m it is recommended that a minimum of 8 assets are held without any single asset being overly dominant. A spread of £1.0m to £4m implies an average asset value of £2.5m and a portfolio of c.8 assets.	**£2.0m - £5m**	**£1.0m - £2.0m or £5m - £7.5m**	**£500k - £1.0m or £7.5m - £10m**	**<£500k or >£10m**
	5	**3**	**1**	**0**
Rate of Return (Net Yield)* - Investments will look to achieve an overall target yield of circa +/- 1% of the average net yield of the entire portfolio for which the target is currently 7.0%. *the return to the council after consideration of agents fees (1%), legal fees (0.5%), Stamp Duty Land Tax (at prevailing rate), external management costs (if applicable), survey costs (estimated) and any void costs.	**6% to 8%**	**5% to 6% / >8% to <10%**	**<5% or 10%**	**N/A (property vacant)**
	5	**3**	**1**	**0**
Lot Size (Annual Rental Income) - The target income range is between £150k and £300k pa. This is driven by the Authority's target net return of 7% and the identified target lot size of £1.0m - £4.0m.	**£125k p.a. - £300k p.a.**	**£100k p.a. - £125k p.a. or £300k p.a. - £600k p.a.**	**£50k p.a. - £100k p.a. or £600k p.a. - £800k p.a.**	**<£50k p.a. or >£800m p.a.**
	5	**3**	**1**	**0**
Property/Asset Considerations				
Sector - The council should invest in a diversified and balanced portfolio with a focus on the traditional lower risk sectors of Offices, Industrial and Retail; the spread of sectors will limit the Council's exposure to volatility in a particular area.	**Traditional Property type (Office, Industrial, Retail)**	**Leisure**	**Healthcare or Other Business Uses**	**Residential**
	5	**3**	**1**	**0**

Location Quality - the 'Primeness' of an asset's location will depend very much on the nature of each individual asset and the market within which it competes. Prime locations by sector can broadly be outlined as follows: Offices - located within an established business district of a major UK city or on an established out of town business park with access to amenities and good transport links. Industrial - located within close proximity to UK motorway network or transport hub (airport/port/rail links) or an established and successful industrial/manufacturing park. Retail - located within the retail core of a major UK city or an established and successful out of town retail location.	**Primary**	**Secondary**	**Tertiary**	**N/A**
	5	**3**	**1**	**0**
Located Proximity to WLDC - Location will be dictated by opportunity to acquire investments that meet the strategy. A balanced portfolio would not usually be restricted to WLDC's administrative boundary and would consider opportunities to purchase further afield focusing initially on investments more locally, i.e. in the LEP/area, before expanding the search country/UK wide.	**Within WLDC**	**Within 1 hr drive time**	**Within 2 hr drive time**	**>2hr drive time**
	5	**3**	**1**	**0**
Tenure - When considering the tenure of an asset, freehold would be preferable to leasehold. Freehold provides the greater levels of security against a leasehold asset that would effectively decrease in value over time. However assets on long leasehold basis may still be suitable for consideration where the lease term remaining is 125 years or more.	**Freehold**	**Long Leasehold (125 yrs+)**	**Long lease between 75yrs & 125yrs**	**Long lease less than 75yrs**
	5	**3**	**1**	**0**
Building Condition - The age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment and the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant. Preference should therefore be for modern and efficient stock. Consideration should also be given to any landlord costs associated with works that may be required to bring the property up to a satisfactory EPC level (new leases should have a minimum EPC rating of 'E' by 1st April 2018) if it is not already.	**Good**	**Fair**	**Poor**	**Not Acceptable**
	5	**3**	**1**	**0**
Security of Income/Leasing				
Covenant Strength - With tenanted properties there should be consideration of the quality of the tenant and more importantly, their ability to pay the rent on time and in full. Consider Dun & Bradstreet, Experia credit rating when applying Financial Covenant score. If Property is multi-let it may be acceptable to have some weaker tenants within the tenant mix as the risk is diversified to a certain extent.	**Strong financial covenant**	**Good financial covenant**	**Limited financial covenant**	**Poor financial covenant/vacant**
	5	**3**	**1**	**0**

Unexpired Lease length - In the case of a tenanted property, the unexpired length of the term of the lease is of key importance in ensuring that the landlord's revenue stream is uninterrupted. This must consider any upcoming breaks and assumes the tenant breaks at the earliest opportunity. For multi-let properties consider the Weighted Average Unexpired Lease Term (WAULT) i.e. the average lease term remaining to first break, or expiry, across the property weighted by contracted rent.	**10yrs+**	**5yrs to 10yrs**	**Between 2yrs & <5yrs**	**Less than 2yrs/Vacant/Holding Over**
	5	**3**	**1**	**0**
Rent Review - To increase income there must also be consideration of upcoming Rent Reviews in terms of the time frame and the method (i.e. upward only, RPI/CPI etc.) There should also be some consideration to the Rental Growth Prospects.	**Stepped rent/RPI or fixed uplifts**	**Open Market Rent (5 yearly)**	**Unusual review format (i.e. 14 yearly)**	**No RRs**
	5	**3**	**1**	**0**
Rental Growth Prospects - This considers the passing rent in relation to the market conditions and prospects for increase in income having regard to estimated rental value compared to passing rent. At a minimum the Market Rent should be equal to the Passing Rent.	**Substantial Rental Growth Prospect**	**Some Rental Growth Prospect**	**Rack Rented/No Likely Change**	**Over rented (i.e. Passing Rent > Market Rent)**
	5	**3**	**1**	**0**
Repairing terms - There should be preference for investments with full repairing and insuring (FRI) terms meaning that all costs relating to occupation and repairs are borne by the occupier(s) during the lease term with only insurance premiums recharged and service charge (if applicable).	**Full Repairing/fully S/C recoverable**	**Internal repairing - s/c recoverable by capped**	**Internal repairing - partially recoverable**	**Internal Repairing - non-recoverable/ Landlord only**
	5	**3**	**1**	**0**
Occupancy rate - Ideally the property will be fully let and income producing. A vacant or mostly vacant property potentially provides the opportunity to increase income (depending on market demand, building condition etc.,) Also, there should be consideration as to the ease of getting the property fully occupied and the expense which the Landlord will have to pay in the interim i.e. empty rates, repairs and redecoration etc.	**Fully let (100% let)**	**Part Let, Part Vacant (>70% & <100% let)**	**Mostly Vacant (50% - 70% let)**	**Predominantly vacant**
	5	**3**	**1**	**0**