



**Governance and Audit
Committee**

Tuesday, 21 April 2026

Subject: Accounts Closedown 2025/26 Accounting Matters

Report by:	Director of Corporate Services (Section 151 Officer)
Contact Officer:	Caroline Capon Corporate Finance Team Leader Caroline.capon@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 2025/26 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 approve the proposed 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 2025/26 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 (Amendment) Regulations 2024.

Financial: FIN/170/26/GA/CC

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 2025/26. 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 2025/26 is £150,748, (£146,642 for 2024/25 fee). The Council has provided a budget of £145,000 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 2025/26 Accounts
CIPFA Guidance Notes for Practitioners 2025/26 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

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Executive Summary

The Accounts and Audit (Amendment) Regulations 2024 require Local Authorities to produce and publish their Statement of Accounts by 30 June 2026 (30 June for 2024/25) and an Audited Statement of Accounts by 31 January 2026 annually (27 February for 2024/25).

In producing the Statement of Accounts, the Council follows the CIPFA Code of Practice on Local Authority Accounting 2025/26 (the Code). There have been minimal changes for 2025/26 (see Section 2).

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 2025/26 are £1,500,000 and amounts less than £75,000 are considered trivial (i.e. not significant).

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 two risks identified as being Moderate (Amber).

In 2025/26 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 2024/25.

1 Background

- 1.1 The Accounts and Audit (Amendment) Regulations 2024 require Local Authorities to produce and publish their Statement of Accounts by 30 June (30 June for 2024/25) and an audited Statement of Accounts by 31 January (27 February for 2024/25).
- 1.2 In producing the Statement of Accounts, the Council follows the CIPFA Code of Practice on Local Authority Accounting 2025/26 (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 2025/26.
- 1.5 External Audit – 2025/26 Audit Planning

The Accounts and Audit (Amendment) Regulations 2024 require local authorities to approve and publish their Statement of Accounts by 30 June and the audited statements by 31 January for 2025/26.

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 2025/26 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 2025/26 Code.	No impact, purely confirmation.	Fully compliant
<p>Notable updates are included in Module 4 to reflect the changes in asset revaluation. From 2025/26, revaluations for each class of PPE are undertaken using one of the following:</p> <ul style="list-style-type: none"> • A quinquennial revaluation, supplemented by annual indexation in intervening years. • A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years. • For non-property assets only, appropriate indices. 	West Lindsey District Council carried out a full valuation in 2024/25. For 2025/26, assets not subject to impairment or subject to significant change will have indexation valuations for the intervening years before the next full valuation 2029/30 as per the CIPFA Code.	Fully compliant
Module 3 has been updated to include details of the Delivering Good Governance in Local Government Framework.	In May 2025, CIPFA published <i>Delivering Good Governance in Local Government: Framework – Addendum, covering the annual review of governance and the annual governance statement.</i>	Fully Compliant
IFRS 16 transitional arrangements have been removed from Module 4 to reflect full implementation.	No Impact – IFRS 16 transitioning and implementation occurred in 2024/25 accounts.	Not Applicable
Module 7 has been updated to reflect the changes in pooled investments.	Recognition in reserves of fair value gain and losses of pooled investment funds. Such amounts are not proper charges to the General Fund and where the relevant criteria are met for fair value gains and losses on a pooled investment fund in existence on 1 April 2024, the authority must charge the amount to the pooled investment funds adjustment account. These regulations apply until 31/03/2029.	Fully compliant
Module 7 has been updated to include information on IFRS 17 for insurance contracts.	An insurance contract is a contract under which the issuer accepts significant risk (other than financial risk) from the policyholder by agreeing to compensate the policyholder if	Not Applicable

	a specified uncertain future event adversely affects the policyholder. An example would be if the authority agreed to underwrite the operations of a voluntary organisation and would step in to ensure continuity of service if it failed	
Financial instruments within Module 3 example accounts have been amended to reflect how premiums and discounts are charged to the General Fund in accordance with regulations /statutory guidance.	Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years.	Not Applicable

2.2 From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities are required to revalue their assets every five years with annual indexation applied to assets during the four intervening years. These changes in the accounting policy will be applied prospectively with no restatement of prior year figures. For 2025/26, assets not subject to impairment or subject to significant change will have indexation valuations for the intervening years before the next full valuation 2029/30. Where appropriate indices are not available a triennial desktop valuation will take place, as per the CIPFA Code.

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 Accounting Policy xix updated to reflect the Code requirements in respect of revaluations of property, plant and equipment as per 2.2 of this report.
- 3.4 Accounting Policy xiii has been updated to reflect the Code requirement in respect of revaluations for intangible assets. The option to measure intangible assets using the revaluation model has been withdrawn. West Lindsey has always held Intangible Assets at historic cost so no impact on the 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 2025 being the year of the latest valuation which relates to the financial years 2026/27 – 2028/29.

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 2026 to March 2029.
- 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 14 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 2025/26.
 - 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 2025 IAS19 balance sheet figures, as will be the case for 31 March 2026.
- 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 2025/26

- 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 2025/26 are £1,500,000 and amounts less than £75,000 are considered trivial (i.e. not significant).

- 5.5 In order to meet the very tight 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 are suggested for particular classes of transactions, account balances or disclosures for 2025/26, updated materiality levels will be supplied by External Audit following completion of the Interim Audit.
1. Materiality for the Financial Statements as a whole £1,500,000
 2. Misstatements materiality to protect against aggregation risk, £1,120,000 (75% of materiality)
 3. Trivial misstatements £75,000
 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 most risks are coloured green (low risk) with only one risk identified as being Moderate (Amber).
- 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 2025/26 accounts, officers have been working hard over the last few years to reduce the length of time to achieve tasks and 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 website within the statutory deadline of 30 June 2025. The finance team are committed to achieve the end of June deadline for 2025/26.
- 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 2025/26 closedown process.

Item	Key Dates 2025/26
Planning and Preparation	01/01/2026 – 30/01/2026
Interim Audit	February 2026
Balance Sheet Review	16/01/2026
Close Period 12	01/04/2026
Accruals/Prepayments Input to System	08/04/2026
Report to Governance and Audit Committee: Closedown Matters	21/04/2026
All Accounts Closed	07/05/2026
Balance Sheet and Comprehensive Income and Expenditure Statement Completed	21/05/2026
Narrative Report Draft	30/05/2026
Statement of Accounts Completed	16/06/2026
Draft Statement of Accounts Signed Off by Section 151 Officer	22/06/2026
Send Statement of Accounts to Auditors	30/06/2026
Draft Statement of Accounts considered by Governance and Audit Committee	July 2026
Outturn Position Report to Corporate Policy and Resources Committee	August 2026
Audit of Accounts	July/August 2026
Whole of Government Accounts (subject to date of issue)	TBA
Governance and Audit Committee Approval of Statement of Accounts and Annual Governance Statement	November 2026
Publish Statement of Accounts on Website and Issue Public Notice	31/01/2027

8. Accounting Changes 2025/26

- 8.1 There are no major accounting changes that will affect the 2025/26 Statement of Accounts.