



**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

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No

x

Key Decision:

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

Yes

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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 is 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 Council's 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 IFRS 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 Council's 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 Council's 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.