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14 April 2026

**Chair: Councillor S Michael
Vice-Chair: Councillor N Allen**

Members of the Committee:

**Councillor S Crosby
Councillor D Darby
Councillor J Hall
Councillor J Lee**

**Councillor C Penny
Councillor M Shakeshaft
Councillor T Wendels**

MEETING:	Audit & Accounts Committee
DATE:	Wednesday, 22 April 2026 at 6.00 pm
VENUE:	Civic Suite, Castle House, Great North Road, Newark, NG24 1BY

**You are hereby requested to attend the above Meeting to be held at the time/place
and on the date mentioned above for the purpose of transacting the
business on the Agenda as overleaf.**

If you have any queries please contact Karen Langford on Karen.langford@newark-sherwooddc.gov.uk.

AGENDA

	<u>Page Nos.</u>
1. Notification to those present that the meeting will be recorded and streamed online	
2. Apologies for Absence	
3. Declarations of Interest from Members and Officers	
4. Minutes of the meeting held on 4 March 2026	4 - 8
5. Internal Audit Plan 2026/27	9 - 27
6. Annual External Audit Strategy Memorandum 2025/26	28 - 58
7. Projected General Fund and Housing Revenue Account Revenue and Capital Outturn Report to 31 March 2026 as at 31 December 2025	59 - 65
8. Statement of Accounting Policies 2025/2026	66 - 105
9. Underlying Valuation Assumptions for 2025/2026 Statement of Accounts	106 - 161
10. Underlying Pension Assumptions for 2025/2026 Statement of Accounts	162 - 220
11. Counter-Fraud Activities from 30 September 2025 to 31 March 2026	221 - 224
12. Fraud Risk Assessment	225 - 251
13. Update on the LGA Newark and Sherwood District Council Cyber 360 Report	252 - 253
14. Work Programme for Audit and Accounts Committee	254 - 258
15. Exclusion of the Press and Public	
<p>To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in part 1 of Schedule 12A of the Act.</p>	
16. Fraud Risk Assessment - Exempt Appendix	259 - 260
17. Exempt - LGA Newark and Sherwood District Council Cyber 360 Report	261 - 263
18. Date of next Meeting - 8 July 2026	

Note – Fire Alarm Evacuation

In the event of an alarm sounding please evacuate the building using the nearest fire exit in the Civic Suite. You should assemble at the designated fire assembly point located in the rear car park and remain there until the Fire Service arrive and advise it is safe to return into the building

Agenda Item 4

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, NG24 1BY on Wednesday, 4 March 2026 at 6.00 pm.

PRESENT: Councillor S Michael (Chair)
Councillor N Allen (Vice-Chair)

Councillor S Crosby, Councillor J Hall, Councillor J Lee and Councillor M Shakeshaft

C Richardson – Co-optee

APOLOGIES FOR ABSENCE: Councillor D Darby, Councillor C Penny and Councillor T Wendels

40 NOTIFICATION TO THOSE PRESENT THAT THE MEETING WILL BE RECORDED AND STREAMED ONLINE

Other than the Council recording in accordance with usual practice, there were no declarations of intention to record the meeting.

41 DECLARATIONS OF INTEREST FROM MEMBERS AND OFFICERS

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

42 MINUTES OF THE MEETING HELD ON 10 DECEMBER 2025

AGREED that the minutes from the meeting held on 10 December 2025 be approved as a correct record and signed by the Chair.

43 INTERNAL AUDIT PROGRESS REPORT 2025/26 & INTERNAL AUDIT PLAN 2026/27

The Committee considered the report from Philip Lazenby, Director of Audit (TIAA), providing a summary of Internal Audit work undertaken during 2025/26 against the agreed audit plan and provided a reminder of the audits scheduled for 2026/27 to ensure that the audit focus is directed to the most relevant areas.

The report advised that the Audit Plan for 2026/27 had initially been reviewed by the Senior Leadership Team. Officers had suggested that they would like further time to review areas of audit focus for 2026/27 and hence have agreed that the two audits proposed for Q1 go ahead, with a view to bringing back a revised plan to the next Audit and Accounts Committee for approval.

AGREED (unanimously) that:

- a) the Committee considered and commented upon the latest internal audit progress report and noted its content; and
- b) the Committee considered and commented upon the internal audit plan for

2026/27.

44 ANNUAL EXTERNAL PROGRESS REPORT AND INDICATIVE AUDIT PLAN 2025/26

The Committee considered the report from the Business Manager for Financial Services presenting the External Audit Progress Report and Indicative Audit Plan for the 2025/26 Statement of Accounts work for Members to review and comment.

The representative from Mazars, Mark Surridge presented the report which described the audit approach and the Value for Money audit approach, detailing the audit team, the deliverables from the work, the timeline and the proposed audit fee.

AGREED (unanimously) that Members noted the External Audit Strategy Memorandum.

45 TREASURY MANAGEMENT STRATEGY 2026/27

The Committee considered the report from the Senior Accountant seeking approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

AGREED that:

the Committee approved each of the following key elements and recommended these to Full Council on 5 March 2026 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Treasury Management Strategy 2026/27, incorporating the Borrowing Strategy and the Annual Investment Strategy (**Appendix A**).
- The Treasury Prudential Indicators and Limits, contained within **Appendix A**.
- The Authorised Limit Treasury Prudential Indicator contained within **Appendix A**.

46 CAPITAL STRATEGY 2026/27

The Committee considered the report from the Senior Accountant seeking approval to the Capital Strategy 2026/27, incorporating the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

AGREED that:

the Committee approved each of the following key elements and recommended these to Full Council on 5 March 2026 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Capital Strategy 2026/27 **Appendix A**.
- The Capital Prudential Indicators and Limits for 2026/27, contained within **Appendix A**.
- The Minimum Revenue Provision (MRP) Policy Statement as contained within

Appendix C, which sets out the Council's policy on MRP.

- The Flexible Use of Capital Receipts Strategy, contained with **Appendix D**.

47 NON-TREASURY INVESTMENT STRATEGY 2026/27

The Committee considered the report from the Assistant Business Manager for Financial Services providing the investment strategy for 2026/27, meeting the requirements of statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance in January 2018.

AGREED that:

the Committee approved each of the following key elements and recommended these to Full Council on 5 March 2026 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Investment Strategy 2026/27 **Appendix A**.
- The Investment Prudential Indicators and Limits for 2026/27, contained within **Appendix A**.

48 BUDGET REPORTS 2026/27

The Committee considered the report from the Business Manager for Financial Services providing Members with attached reports which have been approved at Cabinet on 24 February 2026 including an exempt appendix:

General Fund Revenue Budget 2026/27
General Fund Medium Term Financial Plan 2026/27 – 2029/30
Capital Programme 2026/27 – 2029/30

The appendices were the budget setting reports (both Capital and Revenue) together with the Council's proposed Medium Term Financial Plan for the 2026/27 financial year.

AGREED that Members had received and noted the reports that were presented to Cabinet on 24 February 2026.

49 UPDATE ON THE LGA NEWARK AND SHERWOOD DISTRICT COUNCIL CYBER 360 REPORT

The Committee considered the report from the Business Manager for ICT & Digital Services providing the updated results of LGA Newark and Sherwood District Council Cyber 360 Report.

The CIGG will continue the review of the Cyber360 action plan and provide updates. As of February 2026, 96% of the action plan is complete, with only 1 task remaining out of 24.

The Cyber 360 Action Plan is not in the public area of this open report for security reasons and is held in the exempt version of the report.

AGREED that Members reviewed, commented upon and noted the update on the LGA Newark and Sherwood District Council Cyber 360 Report.

50 WORK PROGRAMME FOR AUDIT AND ACCOUNTS COMMITTEE

The Committee received the Work Programme from the Business Manager for Financial Services for consideration.

AGREED (unanimously) that the Work Programme be noted.

51 EXCLUSION OF THE PRESS AND PUBLIC

AGREED (unanimously) that under section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

52 EXEMPT - LGA NEWARK AND SHERWOOD DISTRICT COUNCIL CYBER 360 REPORT

The Committee considered the exempt report from the Business Manager for ICT & Digital Services providing an update on the LGA Newark and Sherwood District Council Cyber 360 Report.

53 DATE OF NEXT MEETING - 22 APRIL 2026

Meeting closed at 7.06 pm.

Chair

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted



Report to: Audit and Accounts Committee 22 April 2026

Director or Business Manager Lead: Nick Wilson, Business Manager – Financial Services

Lead Officer: Philip Lazenby, Director of Audit (TIAA) 0845 3003333

Report Summary	
Report Title	Internal Audit Plan 2026/27
Purpose of Report	To set the Internal Audit Plan for the 2026/27 financial year
Recommendations	That the Committee consider and comment upon the internal audit plan for 2026/27 and approve for completion.
Reason for Recommendation	In order to understand the internal audit work to be undertaken during 2026/27 financial year and how this impacts on the Council's overall Governance framework.

1.0 Background

- 1.1 The Audit Plan for 2026/27 was tabled at the Audit and Accounts Committee in March 2026. This set the audits for Quarter one of 2026/27.
- 1.2 It was proposed that management would further review the plan, with a view to bringing back some proposed changes to the plan for approval by the Committee.
- 1.3 Appendix A provides the revised plan for consideration by the Committee.

2.0 Proposals

2.1 The audits that have been removed from the proposed plan are relate to:

- Community engagement
- Complaints, grievances and internal whistleblowing
- Governance
- Financial resilience
- Grievance reporting and management

2.2 The additions to the plan relate to:

- Local Government Reorganisation Strategic Risk review
- Housing Regulatory compliance and building safety
- Contingency days to support additional audits throughout the year

2.3 It is proposed that the plan shown at appendix A is approved as the Internal Audit Plan for 2026/27.

Background Papers and Published Documents

NIL



Newark and Sherwood District Council

Indicative Audit Strategy 2026/29 and Annual Plan 2026/27

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April 2026

2nd Revised Draft



Executive Summary

Introduction

The Audit Plan for 2026/27 has been informed by a risk assessment carried out across our clients in the sector and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks. This coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Risk Considerations

We have identified a number of key areas which require consideration when planning internal audit coverage.

Financial Resilience:

Funding constraints and spiralling costs, along with macro-economic impacts on organisations require even tougher financial decisions, with dependencies on collaboration, innovation, spending cuts and service deterioration.

Devolution and Reorganisations:

Every process, policy, and assurance framework you rely on today could be dismantled or merged. Internal Audit will face a landscape where control environments are in flux, making previous assurances obsolete. Transition assurance is important.

Digital Transformation and Artificial Intelligence (AI):

The rapid integration, and disparities in maturity, of AI across the sector are multifaceted and require a comprehensive governance framework that ensures the safe and ethical adoption of AI technologies. AI can inadvertently expose sensitive data, privacy breaches, AI bias and regulatory oversight.

Cyber Security Governance:

This is a critical aspect of overall Board governance, especially given the sector being a high-value target for cyber-attacks, particularly ransomware and phishing. These threats are exacerbated by hybrid working and legacy IT systems.

Net Zero:

Whilst net zero ambitions are progressing, financial constraints and skills shortages in assessing requirements and delivering progress may hinder effective implementation.

People and Culture:

Poor culture is a significant risk to organisations, leading to poor motivation and inefficiencies. Setting a healthy, ethical and motivated culture from strategic management and being effective in embedding this throughout the organisation, will determine how well the culture is immersed.

Audit Strategy Methodology

In producing this audit strategy and annual plan, we have sought to build on our understanding of Newark and Sherwood District Council's operating environment and risk profile through a review of key documentation and discussions with key staff and Audit and Accounts Committee. We have taken into account:

- Newark and Sherwood District Council's business strategy and corporate objectives;
- The regulatory and legislative framework;
- Newark and Sherwood District Council's risk register;
- Discussion with the Board / Committee;
- External sources of assurance; and
- Previous Internal Audit coverage.

We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately prioritised and focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Our approach complies with the IIA Global Internal Audit Standards.

Internal Audit Strategy and Plan

The Audit Strategy at Appendix A incorporates the proposed annual plan for 2026/27 and the indicative coverage for the following two years.

The Annual Plan at Appendix B sets out the assignments that will be carried out in 2026/27, the planned times and the high-level scopes for each of these assignments.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation; this will be formally reviewed with senior management and the Audit and Accounts Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Newark and Sherwood District Council. Where Newark and Sherwood District Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officer and will be clearly set out in the terms of reference for the additional review(s).

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2026/27 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of Newark and Sherwood District Council's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

Disclaimer

This document has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent.

No responsibility to any third party is accepted as the document has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this document and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our document.

Release of Report

The table below sets out the history of this plan.

Draft Strategy and Plan:	1 st December 2025
Revised Draft Strategy and Plan:	24 th February 2026
2nd Revised Draft Strategy and Plan:	10 th April 2026
Final Strategy and Plan:	

Appendix A: Rolling Strategic Plan

Review Area	BAF/Risk Ref	Type	2025/26	2026/27	2027/28	2028/29
Governance						
Governance	SR306 Corporate Governance	Assurance				
Risk Management Framework	SR306 Corporate Governance	Assurance		✓		
Performance Management	SR306 Corporate Governance	Assurance				✓
Community Engagement	SR308 Environment	Assurance				✓
Joint Working Arrangements	SR306 Corporate Governance	Assurance	✓			
Companies – Contract Management and Governance	SR306 Corporate Governance	Assurance			✓	
Complaints, Grievances and Whistleblowing	SR306 Corporate Governance	Assurance			✓	
Members Allowances	SR306 Corporate Governance	Assurance				
Performance Management (including Staff Training)	SR306 Corporate Governance	Assurance				✓
Corporate Governance (including Staff Training and Succession Planning)	SR306 Corporate Governance	Assurance	✓			
Climate Sustainability Maturity Assessment	SR306 Corporate Governance	Assurance	✓		✓	
Devolution Impact	SR306 Corporate Governance	Assurance			✓	
Risk						
Risk Management Framework	SR306 Corporate Governance	Assurance				✓
Business Continuity	SR306 Corporate Governance	Assurance		✓		✓
Local Government Reorganisation (LGR) Readiness and Governance	SR306 Corporate Governance	Assurance		✓		
Local Government Reorganisation (LGR) Risk Review	SR306 Corporate Governance	Assurance		✓		
Information and Communication Technology (ICT)						
Cyber Security Maturity Assessment	SR307 Data Management Security	Assurance	✓	✓		

Review Area	BAF/Risk Ref	Type	2025/26	2026/27	2027/28	2028/29
ICT – Mobile Device Management	SR301 Financial Sustainability - General Fund	Assurance			✓	
ICT - Social Media Use	SR306 Corporate Governance	Assurance	✓			
ICT - Network Resilience	SR301 Financial Sustainability - General Fund	N/A				
Finance						
Financial Resilience	SR301 Financial Sustainability - General Fund	Assurance	✓		✓	✓
Key Financial Controls	SR301 Financial Sustainability - General Fund	Assurance	✓		✓	✓
Budgetary Control (Key Control Audit)	SR301 Financial Sustainability - General Fund	Assurance		✓		✓
Procurement	SR305 Workforce	Assurance				✓
Planning Enforcement	SR301 Financial Sustainability - General Fund	Assurance		✓		
Gilstrap Financials (also Governance in 2025/26)	SR301 Financial Sustainability - General Fund	Assurance	✓	✓	✓	✓
Mansfield Crematorium	SR304 Contract / Supply Failure	Assurance	✓	✓	✓	✓
Accounts Receivable (Debtors) – Including Bailiffs	SR301 Financial Sustainability - General Fund	Assurance			✓	
Credit Card Usage	SR304 Contract / Supply Failure	Assurance			✓	
Insurance	SR301 Financial Sustainability - General Fund	Assurance			✓	
Capital Programme	SR301 Financial Sustainability - General Fund	Assurance	✓			
Operational Performance and Infrastructure						
Grants Fund – Towns Fund / Levelling Up 2	SR301 Financial Sustainability - General Fund	Assurance		✓		

Review Area	BAF/Risk Ref	Type	2025/26	2026/27	2027/28	2028/29
Housing Rents	SR301 Financial Sustainability - General Fund	Assurance		✓		
Temporary Accommodation	SR301 Financial Sustainability - General Fund	Assurance		✓		
Waste Management	SR306 Corporate Governance SR304 Contract / Supply Failure	Assurance	✓			
Grounds Maintenance and Cleansing Services	SR306 Corporate Governance SR304 Contract / Supply Failure	Assurance				✓
Workforce						
Absence Management	SR305 Workforce	Assurance	✓			
Staff wellbeing and Sickness Absence	SR305 Workforce	Assurance			✓	
Health Alliance Arrangements and Benefits	SR305 Workforce	Assurance			✓	
Workforce and Culture	SR305 Workforce	Assurance				
Apprenticeships and Talent Spotting	SR305 Workforce	Assurance				✓
Agile Working	SR305 Workforce	Assurance				✓
Grievance Reporting and Management	SR305 Workforce	Assurance			✓	
Parks and Open Spaces	SR305 Workforce	Assurance			✓	
Leisure Services	SR305 Workforce	Assurance			✓	
Right to Buy	SR305 Workforce	Assurance			✓	
Contingency	N/A	Assurance	✓	✓		
Follow Up	N/A	Follow Up	✓	✓	✓	✓
Added Value Audit Areas						
Housing Regulatory Compliance and Building Safety	SR309 Statutory Compliance Management	Assurance		✓		
HRA H&S Mould	SR302 Financial Sustainability - HRA	Assurance	✓			
Equality, Diversity and Inclusivity (Staff)	SR309 Statutory Compliance Management	Assurance				✓

Review Area	BAF/Risk Ref	Type	2025/26	2026/27	2027/28	2028/29
Antifraud and Corruption (LCFS)	N/A	Management			✓	
Management and Planning						
Annual Planning	N/A	Management	✓	✓	✓	✓
Annual Report	N/A	Management	✓	✓	✓	✓
Audit Management	N/A	Management	✓	✓	✓	✓
Total Days	N/A		245	245	245	245

Additional audit areas considered during the Audit Needs Assessment but not included in the three-year Rolling Strategic Plan

Governance – Strategic Control;	Treasury and Banking;	Procurement;
Strategic Planning and Stress Testing;	Anti-Social Behaviour; and	Data Protection (GDPR).

Additional services provided by TIAA

Compliance Audits for Homes England Funding Programmes

All providers delivering affordable homes are eligible for audit and have a contractual obligation to engage with the process if selected for audit. Homes England audits a selection of providers each financial year and notifies those selected via email.

TIAA will perform agreed performance tests as set out in the relevant procedural checklists, replicated by the Compliance Audit system and published on the Homes England website; and submit responses to enable the Compliance Audit system to produce a report based on identified procedural findings.

Investigatory Services

Our bespoke investigations practice forms part of our Anti-Crime and Investigations Team. We are able to provide focussed services in areas including:

- HR Disciplinary Investigations;
- Regulatory Breaches (such as Data Loss / DPA);
- Whistleblowing Matters;
- Cyber Risk Investigations;
- Criminal Investigations; and
- Fraud Investigations.

BRIXX Financial Modelling and Balance Sheet Stress Testing

We can help you develop and maintain robust and flexible financial models using BRIXX, the leading software for social housing. We can also help you conduct stress testing and scenario analysis to assess your financial resilience and risk appetite.

Appendix B: Annual Plan – 2026/27

Quarter	Review	Type	Days	High-level Scope
1	Business Continuity	Assurance	15	The audit will assess whether an effective continuous service process is in place to minimise the likelihood of service interruptions impacting upon key business functions and processes.
1	Planning Enforcement	Assurance	12	<ul style="list-style-type: none"> Review case files for timeliness, evidence, and consistency of enforcement decisions; Check statutory compliance with legal requirements for notices and procedures; Assess performance data for accuracy and use in service monitoring; Verify risk register entries and mitigation actions related to enforcement; and Test stakeholder communications for clarity, transparency, and public interest handling.
2	Grants Fund – Towns Fund / Levelling Up 2	Assurance	10	With an annual budget of over £4 million, the review will focus on the process for awarding grants and monitoring compliance with grant funding conditions.
2	Cyber Security Maturity Assessment	Assurance	17	A review of the controls and processes in place to ensure cyber safety and prevent cyber fraud and attacks.
3	Local Government Reorganisation (LGR) Readiness and Governance	Assurance	10	To assess the adequacy of governance, planning, risk management, and stakeholder engagement in relation to the proposed Local Government Reorganisation in. Focus on implementation readiness and transition risks.
3	Risk Management Framework	Assurance	10	It is important to have effective risk management processes in place to support decision-making, to encourage innovation and growth, protect it from incidents that affect service delivery, and which harm its reputation and to minimise losses. The review considers the framework for risk management and the arrangements for identifying risks and controls and monitoring of these. Areas to be covered include: <ul style="list-style-type: none"> Risk management strategy, policies and supporting procedural documents; Roles and responsibilities; Arrangements for identifying and recording risks and their corresponding mitigating controls; and Alignment of risks to strategy and projects.
3	Housing Rents	Assurance	10	The objective of the audit is to review the systems and controls in place over Housing Rents to help confirm that these are operating adequately, effectively and efficiently. This audit is undertaken in collaboration Homes, to assess the annual rent charges, income, arrears, amendment to rent accounts and reconciliation with other key financial systems.
3	Temporary Accommodation	Assurance	14	Review budget forecasts and actual spend on Temporary Accommodation (TA) to assess financial pressure and cost controls: <ul style="list-style-type: none"> Sample placements to assess duration, suitability, and compliance with statutory guidance; Review a sample of TA placements to verify compliance with statutory requirements (e.g. suitability assessments, decision letters, Section 202 review rights); Test financial records for a selection of TA providers to confirm accuracy of payments, adherence to contract terms and value-for-money; Inspect property records to ensure health and safety checks (e.g. gas, fire, electrical) are up to date and documented for all active TA units; Evaluate performance data (e.g. average length of stay, occupancy rates) for completeness, accuracy and alignment with internal reporting; and Check safeguarding protocols and inter-agency coordination for high-risk cases.

Quarter	Review	Type	Days	High-level Scope
3	Budgetary Control (Key Control Audit)	Assurance	16	Budgetary Control is a fundamental financial process. Key control objectives that will be considered as part of this audit include: <ul style="list-style-type: none"> Formally approved budgets are set each year, considering all relevant income and expenditure; The financial management system accurately reflects the agreed budgets; Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined; All budget adjustments (including virements) are authorised; Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation; and Appropriate financial reserves are maintained in line with assessed risks.
3	Housing Regulatory Compliance and Building Safety	Assurance	15	Ensure that housing stock remains compliant across the "big 6" areas.
3	Local Government Reorganisation (LGR) Risk review	Assurance	15	Consultancy support to gain assurance that all risks are mitigated through the transition to the new unitary authority.
4	Gilstrap Financials	Assurance	8	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.
4	Mansfield Crematorium	Assurance	8	Completion of the audit of the Mansfield Crematorium Accounts.
1 – 4	Follow-up	Follow up	16	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Council are implementing recommendations, and providing reports to the Audit and Accounts Committee.
1	Annual Planning	Management	4	Assessing the Council's annual audit needs.
4	Annual Report	Management	3	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
4	Training	Management	2	Supporting training of Audit and Accounts Committee.
1 – 4	Audit Management	Management	30	This time includes: <ul style="list-style-type: none"> Meeting client management; Overseeing the audit plan; Reporting and supporting the Audit and Accounts Committee; Liaising with External Audit; and Client briefings (including fraud alerts, fraud digests and committee briefings).
1 – 4	Contingency days		30	To support additional audits during the year, or additional capacity necessary for the existing plan
Total days			245	

Appendix C: Annual Plan – Newark and Sherwood District Council' Key Strategic Risks (4*4)

Ref	Risk per BAF (as at August 2025)	Inherent	Target	Actual	Average per TIAA analysis (Borough / District usually 5*5)	Notes by TIAA on review of scoring
1	SR501 Financial Sustainability – General Fund	16	6	6	(16) 12	No concerns
2	SR502 Financial Sustainability - HRA	9	4	6	(16) 10	No concerns
3	SR503 Failure to deliver growth infrastructure	12	6	9	(20) 16	No concerns
4	SR504 Contract / Supply failure	12	4	6	(20) 14	No concerns
5	SR505 Workforce	16	6	6	(20) 12	No concerns
6	SR506 Corporate Governance	12	6	6	(20) 12	No concerns
7	SR507 Data Management and Security	16	6	9	(20) 16	No concerns
8	SR508 Environment	12	6	6	(20) 16	No concerns
9	SR509 Statutory Compliance Management	16	9	9	(20) 10	No concerns

Appendix D: Strategic risks frequently seen at Borough / District Councils – For Consideration / Potential Inclusion

Additional strategic risks articulated by other TIAA District / Borough Councils	Pre-mitigation	Post-mitigation
Inability to manage and deliver safe and good quality affordable homes	12	10
Failure to work with Strategic Partners	12	10
Reputational Damage / Loss of Public Confidence	16	10
Failure to Deliver Digital Transformation	20	12

Appendix E: Impact of the Global Internal Audit standards

Some key elements that are now required under the Standards. This list is not exhaustive:

- Requirement to understand the organisation's risks and internal and external providers of assurance services that cover those risks;
- The plan must support the strategic objectives and success of the organisation;
- The annual plan must be risk-based, prioritising engagements according to the organisation's risk profile;
- Communicate to the board and senior management why high-risk areas are excluded if applicable;
- The plan requires formal approval by the Board (or Audit Committee);
- The CAE must also discuss resources, budget, and capabilities needed to deliver the plan;
- The plan should integrate performance metrics and link to the internal audit strategy; and
- The plan must allow for adjustments during the year to respond to emerging risks or changes in organisational priorities.

Engagement / review impact:

- Include engagement level risk assessments and work programs for each planned audit;
- Evaluation of the significance of findings (considering likelihood and impact) and prioritisation of findings based on significance;
- Overall engagement conclusion; and
- Action owners and dates included in final communications.

Appendix F: Expected Plan Timeline

Time	Action
<i>December 2025</i>	Draft Plan presented to the Audit and Accounts Committee.
<i>End of December 2025</i>	Closing date for initial feedback from the Audit and Accounts Committee.
<i>Early January 2026</i>	Revised Draft Plan presented to the Executive for feedback.
<i>Late January 2026</i>	Closing date for feedback and submissions from Management.
<i>February 2026</i>	Second Revised Plan submitted to the Audit and Accounts Committee for approval.
<i>March 2026</i>	Issuance of the Final Plan.

Internal Audit Charter

Purpose

The purpose of internal audit is to strengthen Newark and Sherwood District Council's ability to create, protect, and sustain value by providing the board/committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances Newark and Sherwood District Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global internal Audit Standards

TIAA will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. TIAA will report periodically to the board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authority

Newark and Sherwood District Council's board/committee grants the internal audit function the mandate to provide the board/committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the board/committee. Such authority allows for unrestricted access to the board/committee.

The board authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Newark and Sherwood District Council and other specialised services from within or outside Newark and Sherwood District Council to complete internal audit services.

Independence and Reporting Relationships

TIAA will confirm to Newark and Sherwood District Council's board/committee, at least annually, the independence of the internal audit function. TIAA will disclose to the board/committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

Board/Committee Oversight

To establish, maintain, and ensure that TIAA internal audit provision has sufficient authority to fulfil its duties, the board/committee will:

- Discuss with TIAA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure TIAA has unrestricted access to and communicates and interacts directly with the board/committee, including in private meetings without senior management present.
- Discuss with TIAA and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with TIAA and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve TIAA's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with TIAA to consider changes affecting the organisation, such as changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter periodically. (typically, annually).
- Approve the risk-based internal audit plan.
- Review TIAA's performance.
- Receive communications from TIAA about the internal audit function including its performance relative to its plan.

- Ensure TIAA has established a quality assurance and improvement program and this is reported on annually.
- Make appropriate inquiries of senior management and TIAA to determine whether scope or resource limitations are inappropriate.

TIAA Role

TIAA will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

TIAA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If TIAA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Performing operational duties for Newark and Sherwood District Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Newark and Sherwood District Council employee that is not employed by TIAA, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as TIAA management, Newark and Sherwood District Council's board/committee and management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Newark and Sherwood District Council's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

TIAA's Responsibility

TIAA has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board/committee and senior management.

- Discuss the plan with the board/committee and senior management and submit the plan to the board/committee for review and approval.
- Review and adjust the internal audit plan, as necessary, in response to changes in Newark and Sherwood District Council's business, risks, operations, programs, systems, and controls.
- Communicate with the board/committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board/committee and senior management [periodically] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Newark and Sherwood District Council's and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to TIAA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If TIAA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

Communication with the Board/Committee and Senior Management

TIAA will report periodically to the board and senior management regarding:

- The internal audit function’s mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function’s conformance with The IIA’s Global Internal Audit Standards and action plans to address the internal audit function’s deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Management’s responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Newark and Sherwood District Council’s risk appetite.

Quality Assurance and Improvement Programme

- TIAA will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of TIAA’s conformance with the Global Internal Audit Standards, as well as performance measurement to assess TIAA’s

progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function’s deficiencies and opportunities for improvement. Annually, TIAA will communicate with the board and senior management about the quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of TIAA.

Scope

- The scope of internal audit services covers the entire breadth of the organisation, including all Newark and Sherwood District Council’s activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board/committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Newark and Sherwood District Council.
- The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.
- Internal audit engagements may include evaluating whether:
- Risks relating to the achievement of Newark and Sherwood District Council’s strategic objectives are appropriately identified and managed.

- The actions of Newark and Sherwood District Council’s officers, directors, management, employees, and contractors or other relevant parties comply with Newark and Sherwood District Council’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Newark and Sherwood District Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

purpose will be carried out in a manner prescribed by TIAA’s professional standards, Information Security and Information Governance policies.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and

Approved by the Audit and Accounts Committee at its meeting on date

recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2022.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written

consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Management responses received by TIAA within 10 working days of draft report issue.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and IIA GIAS	100%



Report to: Audit & Accounts Committee Meeting
22 April 2026

Director Lead: Sanjiv Kohli, Deputy Chief Executive/Director of Resources (S151 Officer)

Lead Officer: Nick Wilson, Business Manager – Financial Services
Ext 5317

Report Summary	
Report Title	Annual External Audit Strategy Memorandum 2025/26
Purpose of Report	To present the External Audit Strategy Memorandum for the 2025/26 Statement of Accounts work for members to review and comment.
Recommendations	Members to note the External Audit Strategy Memorandum.
Reason for Recommendation	To provide Members with details of External Audits work in relation to the Council’s Statement of Accounts for 2025/26.

1.0 Introduction

- 1.1 The External Audit Strategy Memorandum (Appendix A) sets out the proposed work of the Council’s external auditors for 2025/26, relating to the audit of the financial statements and the commentary on the Council’s Value for Money arrangements.
- 1.2 The strategy describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the proposed audit fee.
- 1.3 The audit approach for the financial statements and Value for Money, is in line with the same approach as in previous financial years. Similarly, the key areas of significant risk is the same as per previous financial years and listed below:
 - Management override of controls;
 - Valuation of Property, plant and equipment; and
 - Net Defined Benefit Liability Valuation.

1.4 The level of the auditor's materiality does change in each financial year as it is typically based on a threshold of 2% of gross expenditure. The anticipation for overall materiality for the year ended 31 March 2026 is to be in the region of £2.5m (£2.5m in the prior year), and a performance materiality to be in the region of £2m (£1.75m in the prior year). Further details can be found within Appendix A, 'Materiality'.

2.0 Implications

None.

Background Papers and Published Documents

None.



Audit Strategy Memorandum
Newark and Sherwood District Council – Year ending 31 March 2026

March 2026

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Audit and Accounts Committee
Newark and Sherwood District Council
Castle House
Great North Road
Newark
NG24 1BY

March 2026

I am pleased to present our Audit Strategy Memorandum (“ASM”) for Newark and Sherwood District Council for the year ending 31 March 2026. This document will be presented at the Audit and Accounts Committee meeting on 22 April 2026. If you would like to discuss any matters in more detail, please contact me on +44 (0) 7875 974 291.

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of Newark and Sherwood District Council this report also summarises our considerations and conclusions on our independence.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of our audit and our respective responsibilities,
- Sharing information to assist each of us with fulfilling our respective responsibilities,
- Providing you with constructive observations arising during our audit, and
- Ensuring that we gain an understanding of your attitude and views in respect of the risks facing the Council which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations.

During the meeting, we would be grateful for your views/ knowledge on the following specific matters:

- Whether you have identified any other risks (business, laws & regulation, fraud, going concern, etc.) that may result in material misstatements in the financial statements.
- If there are any matters that you consider warrant particular attention during our audit and/ or any areas where you would like additional procedures to be undertaken.

Subject to our prior written agreement or as required by any applicable law or regulation, this report is considered confidential and is intended solely for the Accounts and Audit Committee and should not be disclosed to any other party, used or quoted for any other purpose.

Yours faithfully,

Mark SurrIDGE
Forvis Mazars LLP

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Appendices	
A - Other communications	18
B - Current year updates, forthcoming accounting & other issues	27

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Executive summary

Audit timeline (page 7)

Planning & Risk Assessment	February 2026
Fieldwork	July – September 2026
Communication	September – November 2026
Completion	November 2026

Materiality £'000 (page 13)

Consolidated gross revenue expenditure at surplus/deficit level : £125,303

Materiality	Performance materiality	Reporting threshold
£2,500	£2,000	£75

Parent only gross revenue expenditure at surplus/deficit level : £119,526

Materiality	Performance materiality	Reporting threshold
£2,390	£1,900	£70

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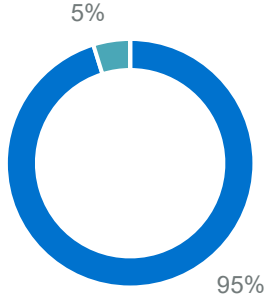
Audit risks and other significant matters (pages 10 – 12)

Risk	Significant risk	Enhanced risk	Risk evolution	Page
Management override of controls	●	○	=	Page 10
Valuation of property, plant and equipment held at valuation	●	○	=	Page 11
Valuation of the net defined benefit liability	●	○	=	Page 12

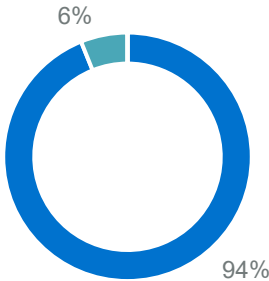
Executive summary

Group audit scope (page 8)

2024-25 – Final % coverage of group



2023-24 – Final % coverage of group



- Full scope audit
- Audit of specific account balance(s) and/or disclosure(s)
- Group engagement team instructed procedures
- Not in scope

Our independence (page 15)

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit in the UK, including the FRC’s Ethical Standard, the Code of Audit Practice and associated guidance issued by the National Audit Office.

Fees (page 14)

Audit fees	£167,540
Non-audit fees	TBC
Total fees	TBC

Your audit team



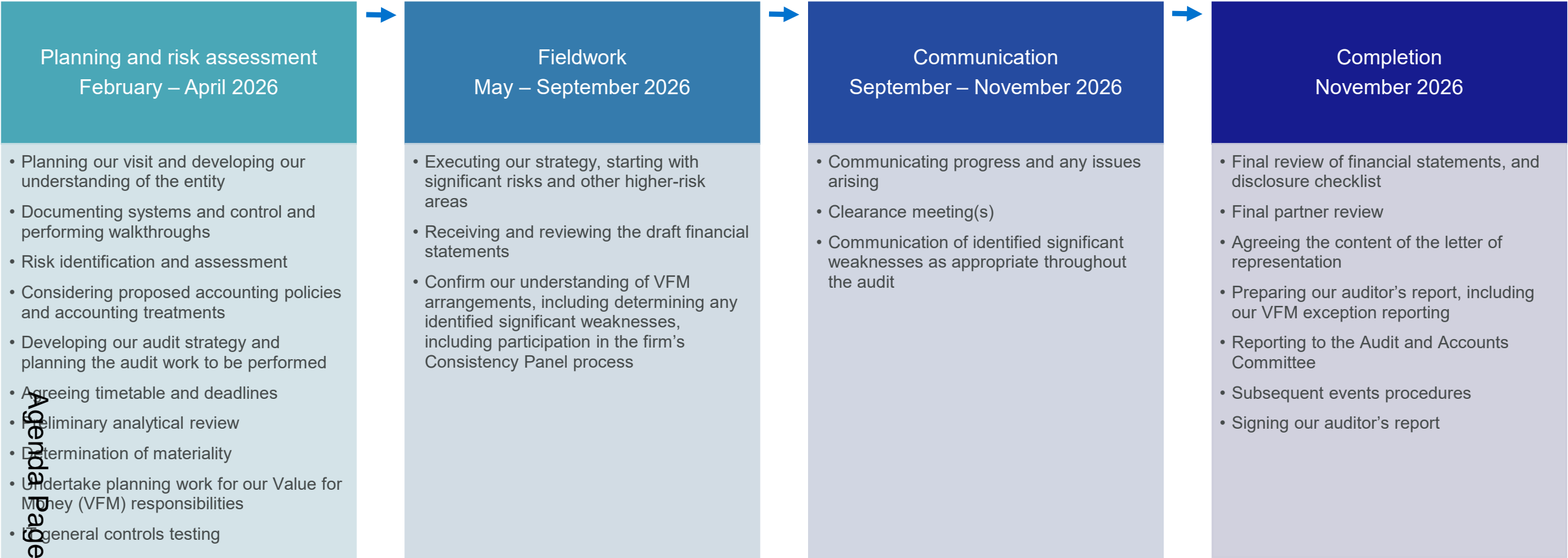
Mark Surridge
Key audit partner
mark.surridge@mazars.co.uk
+44 (0) 7875 974 291

Ellie West
Audit anager
ellie.west@mazars.co.uk
+44 (0) 7484 424 078

We will use external experts on this engagement in the following area of our audit:

- Evaluation of the net pensions asset/liability.

Audit scope, approach, and timeline



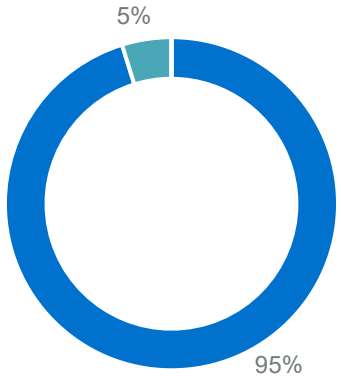
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Group audit scope

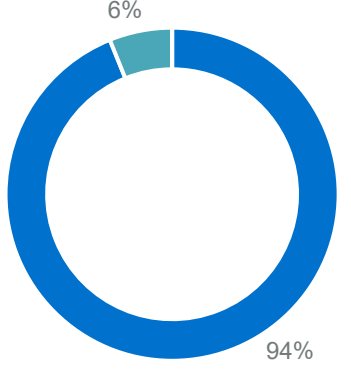
The preliminary scope of our group audit is set out below. When scoping our group audit, we have considered quantitative criteria (the contribution of each of the group’s consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group’s consolidated components in aggregate.

Component	% of gross expenditure	Location	Auditor	Scope
Newark and Sherwood District Council	95.3%	UK	Forvis Mazars LLP	Full audit
Arkwood Developments Ltd	1.5%	UK	Wright Vigar	An audit of one or more account balances, classes of transactions or disclosures
RHH Newark Ltd	0.0%	UK	-	Not in scope
Active4Today Ltd	3.2%	UK	Wright Vigar	An audit of one or more account balances, classes of transactions or disclosures

2024-25 – Final % coverage of group



2023-24 – Final % coverage of group



- Full scope audit
- Audit of specific account balance(s) and/or disclosure(s)
- Group engagement team instructed procedures
- Not in scope

Group audit scope

The significant financial statement areas in the consolidated financial statements impacted by subsidiary company balances are set out below, including the work that we plan to perform and the coverage we plan to achieve through our group audit approach.

Financial statement area	Consolidated entities	Work to be performed	% coverage
Income – Fees, charges and other service income	Arkwood Developments Ltd Active4Today Ltd	Agreeing a sample of transactions to relevant supporting information to ensure that the income: <ul style="list-style-type: none"> • Relates to the entity; • Is recorded in the correct financial year; • Is recorded at the correct value; • Has been subsequently received; and • Is coded to the correct expenditure by nature and CIES service heading. 	100% of balance in scope for testing
Expenditure – Employee expenses / Other service expenses	Arkwood Developments Ltd Active4Today Ltd	Agreeing a sample of transactions to relevant supporting information to ensure that the expenditure: <ul style="list-style-type: none"> • Relates to the entity; • Is recorded in the correct financial year; • Is recorded at the correct value; • Has been subsequently paid; and • Is coded to the correct expenditure by nature and CIES service heading. 	100% of balance in scope for testing
Property, plant and equipment	Arkwood Developments Ltd	Agreeing a sample of transactions to relevant supporting information to ensure that: <ul style="list-style-type: none"> • The expenditure is appropriate to capitalise (particularly if the expenditure is an 'enhancement' to an existing asset) and treat as PPE; • Additions are included at cost and on an accruals basis; and • The expenditure is correctly coded to the appropriate PPE category. 	100% of balance in scope for testing

Audit risks and other significant matters

Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk and relevant group entities	Description	Our planned response
Management override of controls Newark and Sherwood District Council & Group	<p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, we are required by auditing standards to identify a significant risk of management override of controls on our audit.</p>	<p>In line with our methodology, we plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates; • Journal entries; and • Significant transactions outside the normal course of business or otherwise unusual.

Audit risks and other significant matters

Significant risks (continued)

Risk and relevant group entities	Description	Our planned response									
<p>Valuation of property, plant and equipment held at valuation</p> <table border="0" data-bbox="63 392 496 492"> <tr> <td></td> <td style="text-align: center;"><u>Group</u></td> <td style="text-align: center;"><u>Single Entity</u></td> </tr> <tr> <td>2024-25:</td> <td style="text-align: right;">£439,097k</td> <td style="text-align: right;">£437,067k</td> </tr> <tr> <td>2023-24:</td> <td style="text-align: right;">£433,372k</td> <td style="text-align: right;">£430,468k</td> </tr> </table> <p>Newark and Sherwood District Council</p> <p>Arkwood Developments Ltd (depending on year-end position)</p>		<u>Group</u>	<u>Single Entity</u>	2024-25:	£439,097k	£437,067k	2023-24:	£433,372k	£430,468k	<p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is significant risk in this area.</p>	<p>In relation to the valuation of property, plant and equipment, we will:</p> <ul style="list-style-type: none"> • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assess whether valuation movement are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2025/26 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer; and • Select and substantively test a sample of assets to form an opinion on the reasonableness of the valuations.
	<u>Group</u>	<u>Single Entity</u>									
2024-25:	£439,097k	£437,067k									
2023-24:	£433,372k	£430,468k									

Audit risks and other significant matters

Significant risks (continued)

Risk and relevant group entities	Description	Our planned response									
<p>Valuation of the net defined benefit liability</p> <table border="1" data-bbox="63 392 496 492"> <thead> <tr> <th></th> <th><u>Group</u></th> <th><u>Single Entity</u></th> </tr> </thead> <tbody> <tr> <td>2024-25:</td> <td>£8,302k</td> <td>£8,302k</td> </tr> <tr> <td>2023-24:</td> <td>£11,930k</td> <td>£11,898k</td> </tr> </tbody> </table> <p>Newark and Sherwood District Council</p>		<u>Group</u>	<u>Single Entity</u>	2024-25:	£8,302k	£8,302k	2023-24:	£11,930k	£11,898k	<p>The Council's accounts contain material liabilities relating to the local government pension scheme. The council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of the Council's pension liability, we will:</p> <ul style="list-style-type: none"> • Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP; • Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation to complete and accurate; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC LLP, the consulting actuary engaged by the National Audit Office (NAO); and • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	<u>Group</u>	<u>Single Entity</u>									
2024-25:	£8,302k	£8,302k									
2023-24:	£11,930k	£11,898k									

Materiality

For the consolidated financial statements, we consider gross expenditure to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using gross expenditure at surplus/deficit level as the benchmark.

For the parent only financial statements, we also consider gross expenditure of the Council to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using gross expenditure at surplus/deficit level as the benchmark.

We expect to set financial statement materiality as 2% of gross expenditure at surplus/deficit level for our audit of both the consolidated financial statements and for our audit of the parent only financial statements. Based on currently available information, being the prior year's audited financial statements, we anticipate setting our financial statement materiality and performance materiality for our audit of the consolidated and parent only financial statements at the levels set out in the table below. We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

We will accumulate misstatements identified during our audit that are above the reporting thresholds set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting thresholds will be reported to you and management. Any misstatements that we identify that are below those amounts would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements and our audit opinion.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (not corrected by management). We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and our audit opinion.

We also consider whether there are any financial statement areas or disclosures where a misstatement of an amount lower than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. Our assessment of the financial statements and/or disclosures to which this applies and the specific materiality level we have set is shown below.

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Consolidated financial statements			Parent-only financial statements		
	2025-26 (£'000s)	2024-25 (£'000s)		2025-26 (£'000s)	2024-25 (£'000s)
Overall materiality	£2,500	£2,500	Overall materiality	£2,390	£2,390
Performance materiality	£2,000	£1,750	Performance materiality	£1,900	£1,650
Clearly trivial	£75	£75	Clearly trivial	£70	£70
			Specific materiality : Officer's remuneration	£5	£5

Fees

Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT) for the audit of the financial statements for the year ended 31 March 2026, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined in the table adjacent.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA [website](#).

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Nature of service	2025-26 proposed fee	2024-25 actual fee
Statutory audit work to comply with the NAO Code of Audit Practice	£167,540	£162,977
Fee Variations:		
• Additional fees in respect of the introduction of new accounting standards (IFRS 16 Leases)	-	£11,721
• Additional fees in respect of revised ISA requirements for group audits (ISA600r)	-	£17,374
• Additional fees in respect of additional testing required to address increased risk over cut-off errors	-	£1,638
Total audit fees	£167,540	£193,710
Pooling of Housing Capital Receipts	TBC	£6,500
Total non-audit fees	TBC	£6,500
Total fees	TBC	£200,210

Our independence

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships that we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that, in our professional judgement, there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the context of the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration and complete annual ethics training,
- All new partners and staff are required to complete an independence confirmation,
- Rotation policies covering audit engagement partners and other key members of the audit team, and
- Use by managers and partners of our client and engagement acceptance system, which requires non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that Forvis Mazars LLP, the engagement team and others in the firm as appropriate are independent and comply with relevant ethical and independence requirements. However, if at any time you have concerns or questions about our integrity, objectivity, or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Value for money

The framework for Value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

We undertake our VFM work in accordance with the 2024 Code of Audit Practice (the Code). Our responsibility, under the Code, is to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk- based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement; and• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council

Value for money

Identified risks of significant weaknesses in arrangements

The Code of Audit Practice and Auditor Guidance Note 03 issued by the NAO require us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, we have not identified any risks of significant weaknesses in arrangements to date. We will report any further identified risks to the Audit and Accounts Committee on completion of our planning and risk identification work.

Appendix A: Other communications

Audit scope and approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are driven primarily by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we identify.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required by UK auditing standards to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the 'Materiality' section of this report.

Use of internal audit

We will obtain a copy of the reports issued by Internal Audit relating to the financial period under audit and determine whether any findings will have an impact on our risk assessment and planned audit procedures.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Property, plant and equipment held at valuation	Wilks, Head and Eve LLP	-
Pensions liability	Barnett Waddingham LLP	PwC LLP
Financial instrument fair value disclosures	MUFG Corporate Markets Treasury Limited	-

Appendix A: Other communications

Responsibilities

We are appointed to perform the external audit of Newark and Sherwood District Council (the Council) for the year to 31 March 2026. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the CIPFA Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Accounts Committee, as those charged with governance, of their responsibilities. The Director of Resources is responsible for the assessment of Newark and Sherwood District Council’s ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists, and
- b) the appropriateness of the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newark and Sherwood District Council’s internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel and internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors’ rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. We also report to the NAO on the consistency of the Council’s financial statements with its Whole of Government Accounts (WGA) submission.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the ‘Value for Money’ section of this report.

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Appendix A: Other communications

Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company’s financial statement and the responsibilities of management and those charged with governance.	Audit Strategy Memorandum and engagement letter
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, • The effect of uncorrected misstatements related to prior periods, • A request that any uncorrected misstatement is corrected, and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the company, • Any fraud that we have identified or information we have obtained that indicates that fraud may exist, and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Accounts Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)
Significant matters arising during our audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management, • Inappropriate authorisation and approval of transactions, • Disagreement over disclosures, • Non-compliance with laws and regulations, and • Difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report

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Appendix A: Other communications

Required communications

Required communication	Where addressed
<p>Significant findings from our audit, including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures, • Significant difficulties, if any, encountered during our audit, • Significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management, • Written representations that we are seeking, • Expected modifications to our auditor’s report, and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those charged with governance in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during our audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.</p>	<p>Audit Completion Report and Audit and Accounts Committee meeting(s)</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the company’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the event or condition constitutes a material uncertainty, • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements, and • The adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>

Appendix A: Other communications

Required communications

Required communication	Where addressed
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s system of quality management team completes, as part of an ongoing and iterative process, key steps to assess and conclude on our firm’s system of quality management, including:</p> <ul style="list-style-type: none"> • Ensuring there is an appropriate assignment of responsibilities, • Establishing and reviewing quality objectives each year, ensuring our firm’s quality objectives align with our strategies and priorities, • Identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.), • Identifying, designing, and implementing responses to strengthen our firm’s internal control environment and overall quality, and • Evaluating our quality responses and remediating control gaps or deficiencies. <p>We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports.</p>	<p>Audit Strategy Memorandum (the communication adjacent satisfies this requirement)</p>
<p>We are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include:</p> <ul style="list-style-type: none"> • Significant delays in management providing information that we require to perform our audit. • An unnecessarily brief time within which to complete our audit. • Extensive and unexpected effort to obtain sufficient, appropriate audit evidence. • Unavailability of expected information. • Restrictions imposed on us by management. • Unwillingness by management to make or extend their assessment of the company’s ability to continue as a going concern when requested. <p>We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor’s report).</p>	<p>Audit Completion Report, discussion at Audit and Accounts Committee meeting(s), and audit clearance meeting(s)</p>

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Appendix A: Other communications

Required communications

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Audit Strategy Memorandum and Audit Completion Report
Instances where our review of the work of a component auditor gave rise to a concern about the quality of the component auditor’s work, and how we addressed that concern.	Audit Completion Report
Any limitations on the scope of our group audit; for example, significant matters related to restrictions on access to people or information.	Audit Strategy Memorandum and Audit Completion Report, as necessary
Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group’s system of internal control or others when the fraud resulted in a material misstatement of the group financial statements.	Audit Completion Report and discussion at Audit and Accounts Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Other communications

Definitions

Term	Definition
Materiality	<p>An expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.</p> <p>We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to you (reporting threshold). Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.</p> <p>An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:</p> <ul style="list-style-type: none"> • Have a reasonable knowledge of business, economic activities, and accounts, • Have a willingness to study the information in the financial statements with reasonable diligence, • Understand that financial statements are prepared, presented, and audited to levels of materiality, • Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events, and • Will make reasonable economic decisions based on the information in the financial statements. <p>We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.</p> <p>The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.</p>

Appendix A: Other communications

Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	<p>An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:</p> <ul style="list-style-type: none"> • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement, and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard risk	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.
Key audit matter	<p>A matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement (whether due to fraud or error) we identified, including those which had the greatest effect on our overall audit strategy, the allocation of resources in our audit, and directing the efforts of our engagement team.</p> <p>It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way it is described. This report highlights which of the significant and other risks are expected, at this stage, to be determined as key audit matters. It should be noted, however, that other audit areas may be determined as key audit matters during our audit.</p>

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Appendix A: Other communications

Definitions

Term	Definition
Key audit partner	<p>(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm.</p> <p>(b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a 'material subsidiary' and who is designated as being primarily responsible for that audit.</p> <p>(c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.</p>

Appendix B: Current year updates, forthcoming accounting & other issues

HM Treasury changes to non-investment asset valuation

Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the “Code”)

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.
- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.
- The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

Whilst management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity’s circumstances, and to provide this evidence to the auditor.

Appendix B: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on the Council as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

New categories and subtotals for inclusion within the statement of profit or loss

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

New reporting requirements on Management Performance Measures (MPMs)

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
 - an explanation of why the MPM is reported, and
 - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

Enhanced requirements for aggregation & disaggregating information

Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.

New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

Contact

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Report to: Audit & Accounts Committee Meeting 22 April 2026

Director Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Nick Wilson, Business Manager Financial Services on ext 5317

Report Summary	
Report Title	Projected General Fund and Housing Revenue Account Revenue and Capital Outturn Report to 31 March 2026 as at 31 December 2025
Purpose of Report	<p>To update Members with the forecast outturn position for the 2025/26 financial year for the Council’s General Fund and Housing Revenue Account revenue and capital budgets.</p> <p>To show performance against the approved estimates of revenue expenditure and income.</p>
Recommendations	<p>That Committee:</p> <ul style="list-style-type: none"> (a) note the General Fund projected favourable outturn variance of £0m; (b) note the Housing Revenue Account projected favourable outturn variance of £0.117m to the Major Repairs Reserve; (c) note the Capital Programme revised budget and financing of £53.759m; and (d) note the Prudential indicators at Appendix A.
Alternative Options Considered	Not applicable.
Reason for Recommendations	<p>To consider the forecast outturn position for the 2025/26 financial year for the Council’s General Fund and Housing Revenue Account revenue and capital budgets.</p> <p>Ensure the Council has overall financial sustainability for the current financial year compared to the budgeted position.</p>

1.0 Background

Overview of General Fund Revenue Projected Outturn for 2025/26

- 1.1 *Table 1* shows a projected favourable variance against the revised budget of £0.385m on Service budgets, with an overall favourable variance of £0m that would need to be transferred to the General Fund reserve. This is based on meetings which took place with Business Managers during January, whereby they have analysed actual income and expenditure to 31 December 2025 and forecasted forward to the end of March 2026 the additional income and expenditure currently expected to be incurred.

Table 1: General Fund revenue outturn for 2025/26 financial year as at 31 December 2025

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Net Cost of Services	20.722	21.341	20.956	(0.385)
Other Operating Expenditure	5.120	5.063	5.062	(0.001)
Finance & Investment Income/Expenditure	(1.572)	(1.572)	(1.728)	(0.156)
Taxation & Non-Specific Grant Income	(25.230)	(25.251)	(25.775)	(0.524)
Net Cost of Non-Service	(21.682)	(21.760)	(22.441)	(0.681)
Net Cost of Council Expenditure	(0.960)	(0.419)	(1.485)	(1.066)
Transfer to/(from) Usable Reserves	0.316	(1.110)	0.001	1.111
Transfer to/(from) Unusable Reserves	0.644	1.529	1.484	(0.045)
Transfer to/(from) General Reserves	0	0	0	0

- 1.2 While the current overall favourable variance of £0m is a non-impact for the Councils resources, it is only a forecast, therefore the Outturn Report in June 2026 will finalise the variance and the allocation of that variance into the Councils General Reserves.

Overview of Projected Housing Revenue Account (HRA) Outturn for 2025/26

- 1.3 With reference to the 'Variance' column in Table 2, the HRA accounts show a projected unfavourable variance on the Net Cost of HRA Services against the revised budget of £0.237m and an increased transfer to the Major Repairs Reserve of £0.117m:

Table 2: HRA revenue outturn for 2025/26 financial year as at 31 December 2025

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Net Cost of HRA Services	(6.366)	(5.667)	(5.430)	0.237
Other Operating Expenditure	0.013	0.013	0.011	(0.002)
Finance & Investment Income/Expenditure	4.243	4.243	3.891	(0.352)
Taxation & Non-Specific Grant Income	0	0	0	0
(Surplus)/Deficit on HRA Services	(2.109)	(1.411)	(1.528)	(0.117)
Movements in Reserves				
Transfer to/(from) Usable Reserves	(0.263)	(0.961)	(0.961)	0
Transfer to/(from) Unusable Reserves	(6.245)	(6.245)	(6.245)	0
Transfer to/(from) Major Repairs Reserve	8.617	8.617	8.734	0.117
Total	0	0	0	0

- 1.4 While the current overall favourable variance of £0.117m is a positive impact for the Councils resources, it is only a forecast, therefore the Outturn Report in June 2026 will finalise the variance and therefore the transfer to or from the Major Repairs Reserve.

Overview of Projected Capital Outturn 2025/26

- 1.5 The table below summarises the position for the Capital Programme as at 31 December 2025 and is split between General Fund and Housing Revenue Account.

	Original Approved Budget £'m	Current Approved Budget £'m	Revised Budget updated for Approval £'m	Actual Spend to 31 December 2025 £'m	Forecast Outturn £'m
General Fund	35.489	28.089	36.892	13.492	36.892
Housing Revenue Account	23.295	18.734	16.867	7.584	16.867
Total	58.784	46.823	53.759	21.076	53.759

- 1.6 As projects are developed and spending commitments are made, budget requirements can change. It is a requirement that Cabinet approve all variations to the Capital Programme. The below table details the changes that have been approved and are due to be approved on 9 December 2025 and account for the difference between the Revised budget updated for approval of £53.759m and the original budget of £58.784m above.

	General Fund £'m	HRA £'m
Original Budget approved on 7 March 2024	35.489	23.295
Slippage from 2024/25	4.812	3.004
QRT 1 Movement	(6.869)	(4.493)
QRT 2 Movement	(5.343)	(3.072)
Current Approved Budget	28.089	18.734
QRT 3 Proposed reprofiles to future years	(4.589)	(1.954)
QRT 3 Proposed Additions/Reductions	13.392	0.087
Total Proposed Change	8.802	(1.867)
Revised budget to be approved	36.892	16.867

Capital Programme Resources

- 1.7 The revised budget of £53.759m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget:

	General Fund £'m	Housing Revenue Account £'m	Total £'m
External Grants & Contributions	7.414	0.342	7.756
Capital Receipts non 1-4-1	1.621	0.802	2.423
Capital Receipts 1-4-1	0.000	0.273	0.273
Community Infrastructure Levy	0.000	0.000	0.000
Revenue Contributions	2.344	0.000	2.344
Major Repairs Reserve	0.000	11.223	11.223
Borrowing	25.513	4.227	29.740
Total	36.892	16.867	53.759

Prudential Indicators

- 1.8 The Treasury Management Code of Practice 2021 stipulates that quarterly update reports on prudential indicators are now required from 2023/24 onwards.
- 1.9 The prudential indicators are set within the Treasury Management Strategy, Capital Strategy and the Investment Strategy and the three strategies were approved by Audit and Governance Committee on 19 February 2025 and Full Council on 6 March 2025. The summary of the prudential indicators can be found at **Appendix A**.
- 1.10 As can be seen from **Appendix A**, the Council was fully compliant with all of the indicators as set within the Treasury Management Strategy, Capital Strategy and Investment Strategy.

2.0 Implications

- 2.1 In writing this report and in putting forward recommendation's officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and

Sustainability, and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

General Fund, Housing Revenue Account Revenue and Capital Monitoring Outturn Report to 31 March 2026 as at 30 September 2025 to Cabinet on 9 December 2025.

Treasury Strategy Indicators - Borrowing	Original Estimate / Limit £'000	Revised Estimate / Limit £'000	Q1 Actual £'000	Q2 Actual £'000	Q3 Actual £'000	Compliance
Operational Boundary for External Debt	190,075	170,958	109,093	109,062	109,213	Yes
Authorised Limit for External Debt	195,075	175,958	109,093	109,062	109,213	Yes
HRA Debt Limit	134,111	134,111	107,897	107,879	107,879	Yes
Maturity Structure of Borrowing						
Under 12 months	25%	25%	23.50%	23.50%	21.32%	Yes
12 months and within 24 months	25%	25%	6.13%	6.13%	14.83%	Yes
24 months and within 5 years	40%	40%	11.94%	11.94%	10.83%	Yes
5 years and within 10 years	100%	100%	6.46%	6.46%	5.85%	Yes
10 years and above	100%	100%	51.97%	51.97%	47.16%	Yes

Treasury Strategy Indicator - Investing

Credit risk indicator (Minimum Average Portfolio Rating)	A	A	AA	AA	AA	Yes
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Liquidity risk indicator

3 months	100%	100%	61%	62%	67%	Yes
3 – 12 months	80%	80%	20%	19%	16%	Yes
Over 12 months	60%	60%	24%	23%	20%	Yes

Interest rate risk indicator

Upper limit on one-year revenue impact of a 1% rise in interest rates	£400,000	£400,000	256,590	£271,140	358,110.00	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£400,000	£400,000	256,590	£271,140	358,110.00	Yes

Price risk indicator

Limit on principal invested beyond year end	£15m	£15m	£12.5m	£12.5m	£12.5m	Yes
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Capital Strategy Indicators	Original Estimate / Limit £'000	Revised Estimate / Limit £'000	Q1 Actual £'000	Q2 Actual £'000	Q3 Actual £'000	
Capital Expenditure & Financing						
General Fund services	27,294	19,894	1,477	3,899	8,471	
Council housing (HRA)	23,295	18,734	1,615	4,626	7,584	
Capital Loan (GF)	8,195	8,195	1,907	3,653	5,021	
Total Capital Expenditure	58,784	46,823	4,999	12,178	21,076	
Capital Grants	10,238	8,882	944	2,310	3,998	
Other Contributions incl CIL	2,500	100	9	26	45	
Capital Resources	3,639	1,651	135	430	743	
Revenue / Major Repairs Reserve	10,545	8,484	1,236	2,206	3,819	
Borrowing	31,861	27,706	2,676	7,206	12,471	
Total Capital Financing	58,784	46,823	4,999	12,178	25,074	

Capital Financing Requirement (CFR)

General Fund services	57,288	42,386	42,386	40,466	59,760
Council housing (HRA)	119,165	117,164	117,164	117,164	109,050
Capital investments	6,622	11,408	11,408	11,408	5,021
Total CFR	183,075	170,958	170,958	169,038	173,831

Proportion of financing costs to net revenue stream**General Fund;**

MRP Charge	719	681	681	673	669
Interest Payable	461	461	26	26	26
Less: Investment Income	-1,980	-1,980	-202	-809	-1,303
Total GF Financing costs	-799	-838	505	-110	-609
Proportion of net revenue stream	-3.17%	-3.32%	13.50%	-0.87%	-3.21%

Housing Revenue Account;

Interest Payable	4,294	4,294	607	1,724	1,764
Depreciation	6,248	6,248	0	0	0
MRR Contributions incl debt repayments	2,249	2,249	1,000	1,020	1,020
Less: Investment Income	-51	-51	0	0	0
Total HRA Financing costs	12,740	12,740	1,607	2,744	2,784
Proportion of net revenue stream	44.48%	44.48%	22.45%	21.59%	13.82%

<u>Investment Strategy Indicators</u>	2025/26 Original Estimate / Limit £'000	2025/26 Revised Estimate / Limit £'000	2025/26 Q1 Actual £'000	2025/26 Q2 Actual £'000	2025/26 Q3 Actual £'000
Loans for service purposes					
Subsidiaries	15,000	15,000	8,334	6,867	5,021
Local businesses	500	500	-	-	-
Local charities	500	500	-	-	-
Other Bodies	500	500	18	18	25
Total	16,500	16,500	8,352	6,885	5,046

Net income from service investments to net revenue stream

Total General Fund Service Investment Income	1,980	1,980	202	809	1,303
Proportion of net revenue stream	7.13%	7.84%	5.40%	6.41%	6.88%
Total Housing Revenue Account Service Investment Income	51	51	0	0	0
Proportion of net revenue stream	0.16%	0.18%	0.00%	0.00%	0.00%

Shares held for service purposes

Subsidiaries	5,000	5,000	4,001	4,001	4,001
Suppliers	-	-	-	-	-
Local businesses	-	-	-	-	-
Total	5,000	5,000	4,001	5,000	5,000



Report to: Audit & Accounts Committee Meeting 22 April 2026
 Director or Business Manager Lead: Nick Wilson, Business Manager Financial Services
 Lead Officer: Andrew Snape, Assistant Business Manager Financial Services, ext 5523

Report Summary	
Report Title	STATEMENT OF ACCOUNTING POLICIES 2025/2026
Purpose of Report	<i>To provide Members with updates made to the Council's accounting policies in relation to the closedown of the 2025/2026 financial year.</i>
Recommendations	<i>Members approve the amended Statement of Accounting Policies for 2025/2026.</i>

1.0 Background

- 1.1 Prior to the completion of the Statement of Accounts for 2025/2026 it is important that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2026.
- 1.2 The 2025/2026 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/2026 (the Code) which is based on International Financial Reporting Standards (IFRS).

2.0 Updates to the Statement of Accounting Policies

- 2.1 The relevant key accounting changes in the 2025/2026 Code include:
- 2.2 A substantial and significant accounting change in this financial year's edition of the Code is due to CIPFA/LASAAC having regard to HM Treasury's Thematic Review on Non-investment Assets. The main changes included in the Code are:
 - A revaluation expedient for property, plant and equipment, requiring valuations once every five years or on a five-year rolling basis and supported by indexation in

intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.

- Intangible assets to be held at historical cost only.
- Transitional arrangements when applying these changes so they will be applied prospectively, with no restatement of prior year figures.
- To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the FReM.
- A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

2.3 Other key changes and updates in this edition of the Code include the following:

- Minor updates have been made to Section 1.4 to reflect the amendment to publication dates in England as a result of the Accounts and Audit (Amendment) Regulations 2024.
- Section 3.7 has been updated to reflect the change in content of the annual governance statement following the publication of Delivering Good Governance in Local Government: Framework – Addendum covering the annual review of governance and the annual governance statement (2025).
- Minor updates have been made to Section 3.8 to reflect the amendment to publication dates in England as a result of the Accounts and Audit (Amendment) Regulations 2024.
- Minor updates have been made to Section 4.1 to reflect the statutory override for infrastructure assets in England and Wales being extended to 31 March 2029 and extended to 31 March 2027 in Scotland.
- Section 4.2 has been updated to remove the transitional arrangements for the implementation of IFRS 16 Leases and to reflect IPSAS 43 Leases becoming applicable from 1 January 2025.
- Section 4.3 has been updated to remove the transitional arrangements for the implementation of IFRS 16 Leases.
- A minor update to Section 4.10 to reflect IPSAS 45 Property, Plant and Equipment becoming applicable from 1 January 2025.
- Updates have been made to Section 7.1 to reflect the statutory override for pooled investments in England and Wales being extended to 31 March 2029 for pooled investments entered into by 1 April 2024.
- Appendix A of the Code has been updated to reflect the adoption of IFRS 17 and amendments to IAS 21.
- Confirmation in Appendix C (Changes in accounting policies: disclosures in the 2024/25 and 2025/26 financial statements) of the transitional reporting requirements of the new standards introduced in the 2025/26 Code.
- Confirmation in Appendix D (New or amended standards introduced to the 2025/26 Code) of the new standards introduced to the 2025/26 Code.

2.4 The accounting change referred to in paragraph 2.2 has resulted in revisions to the Council's accounting policies relating to property, plant and equipment. These policies have been updated to ensure compliance with the relevant accounting standards. Further detailed information is provided in Appendix B, which contains CIPFA Bulletin 22 – Indexation Application Guidance.

2.4 The relevant other changes listed at 2.3 do not impact on the Councils accounting policies. A complete set of the Accounting Policies for 2025/2026 are attached at **Appendix A**. Please note this is a full set of accounting policies however those marked with an * in their title will not be included within the Councils Statement of Accounts, under IAS1 presentation of financial statements, due to their materiality.

3.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Implications Considered			
Yes – relevant and included / NA – not applicable			
Financial	NA	Equality & Diversity	NA
Human Resources	NA	Human Rights	NA
Legal	NA	Data Protection	NA
Digital & Cyber Security	NA	Safeguarding	NA
Sustainability	NA	Crime & Disorder	NA
LGR	NA	Tenant Consultation	NA

Background Papers and Published Documents

Code of practice on local authority accounting in the United Kingdom – Guidance notes for practitioners 2025/26 accounts

NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other Notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £2,000 in any single case.

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/2026 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulation 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2025/2026 (the Code) supported by International Financial Reporting Standards (IFRS).

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

1.2 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 (or as) 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively 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 revenue 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 in financing and investment income and expenditure for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.3 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 with immediate call back or instant access from the date of acquisition 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.

1.4 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, ie 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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Exceptionally, the 2025/26 Code provides that changes to the valuation of non-investment assets as set out in the Code will be applied prospectively, with no restatement of prior year figures.

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

1.5 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current 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 assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. 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 in the form of the Minimum Revenue Provision (MRP). This charge is based on the Asset Life method of calculation as per the Councils approved MRP Policy and will commence in the financial year after the asset becomes operational.

1.6 Council Tax and Non-Domestic Rates

The Council is a billing Council and acts as an agent collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors, including government for NDR, and as principals collecting Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund i.e. the Collection Fund for the collection and distribution of amounts due in respect of Council Tax and NDR. 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 NDR collected could be less or more than predicted. The council is part of a pool arrangement for NDR with its neighbouring Nottinghamshire councils.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR 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 through the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balance in respect of Council Tax and NDR relating to the arrears, impairment allowances for doubtful debts, overpayments, 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, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees 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 cost of holiday entitlements and time 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 salary rate applicable at the year end. The accrual is charged to the Surplus/Deficit on Provision of Services but is then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Strategy, Performance and Finance line 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 year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserve 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 cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-employment Benefits

The Council fully complies with the requirements of IAS 19 Employee Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them rather than when the benefits are eventually paid as pensions.

Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council (the pension fund). The scheme provides defined benefits to members (retirement lump sums and pensions), which have been earned by members in the time they worked as employees of the Council.

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

- The liabilities of the pension scheme 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 based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price.
 - unquoted securities - professional estimate.
 - unitised securities - current bid price.
 - property - market value.

The change in the net pensions 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 revenue accounts of services for which the employees worked.
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus)/Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Strategy, Performance and Finance.
- net interest on the net defined benefit liability or asset i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or 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 or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments

Re-measurements comprising

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability or asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions 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 Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the 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 authority 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 transfers to and from the pensions 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.

1.8 Events After the Reporting Period*

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event 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.

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

1.9 Financial Instruments

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The Council's financial liabilities comprise:

- long term loans from the Public Works Loan Board
- long term LOBO loans from the money market (Lender Option Borrower Option)
- short term loans from the Council's subsidiary companies and other related companies

Financial liabilities are recognised on the Balance Sheet where the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to 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 annual 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. For most of the borrowings held by the Council this means 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 loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to (Surplus)/Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required

against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

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 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.

However, if the Council decides to make a loan to a voluntary organisation at less than market rate (soft loan). When the soft loan is made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, 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.

Financial assets measured at fair value through profit or loss

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 arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

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 Council's 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 derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 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 in the form of 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 and 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 (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced 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 through 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 used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue administrative expenditure.

1.11 Heritage Assets

The Council's heritage assets are held in the Councils museum. The museum has an extensive collection comprising of art, Civil war, artefacts, clock, coins and tokens of heritage assets which are held in support of the primary objective of the Councils museum, i.e. increasing the knowledge, understanding and appreciation of the Councils history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Councils collections of heritage assets are accounted for as follows.

- Ceramics, Jewellery, Regalia, Statues, Art Collection and Samplers together with Machinery, Equipment and Furniture – these are measured at insurance valuation, based on market value, which is increased annually for inflation. As they are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

Heritage Assets – General

The carrying amounts 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 Councils general policies on impairment – see note 1.17 in this summary of significant accounting policies. The trustees of the Councils museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Councils general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1.18 in this summary of significant accounting policies).

1.12 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment loss. 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.

1.13 Interests in Companies and Other Entities*

The Council has material 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 investments i.e. at cost less any provision for losses.

Active4Today Ltd is a wholly owned subsidiary of the Council which manages the provision of leisure services from the Council's leisure premises and its accounts are consolidated with the Council's in accordance with IAS 27.

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The Council accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium.

Arkwood Developments Ltd is a wholly owned subsidiary of the Council and is a housing development company and its accounts are consolidated with the Council's in accordance with IAS 27.

1.14 Inventories*

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.

1.15 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

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.

1.16 Leases

The Council as Lessee

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 Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council'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 Council is reasonably certain to exercise
- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the Council 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 Council 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 Council 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 Council excludes leases:

- for low-value items that cost less than £10,000 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 Council is reasonably certain to exercise and any termination options that the Council 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 Council 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 Council 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 Council'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 (i.e. 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 (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve (England and Wales).

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.

1.17 Overheads and Support Services*

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.18 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 probable 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 asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. Expenditure under the value of £15,000 is treated as de-minimis. All capital expenditure will be depreciated in the following financial year of acquisition.

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 while assets are under construction.

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 and expenditure 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:

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Community Assets, Infrastructure and Assets Under Construction – measured at historical cost
- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost. 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.

Valuation

Assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the CIPFA Code of Practice on Local Council Accounting.

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 Councils do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, Councils revalue their assets every five years, with annual indexation applied to assets during the four intervening years. Where Councils cannot obtain indices

without undue cost or effort, Councils revalue those assets using a quinquennial revaluation, with a desktop revaluation in year three.

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(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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. An exception is made for assets without a determinable finite 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:

Asset	Depreciation Method
Council Dwellings	Straight line allocation over the life of the property as estimated by the Valuer
Other Buildings	Straight line allocation over the life of the property as estimated by the Valuer
Vehicle, Plant and Equipment	Straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer
Infrastructure	Straight line
Community Assets	Straight line
Surplus Assets	Straight line
Land	No depreciation charged
Assets Under Construction	No depreciation charged
Assets Held for Sale	No depreciation charged

Investment Properties	No depreciation charged
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Where an asset has major components with different estimated useful lives these are depreciated separately. Land and buildings are separate assets and are accounted for separately, even when they are acquired together.

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 previously recognised losses in the Surplus or Deficit on the 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 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). 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. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and 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 through the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

1.19 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 a court case that could eventually result 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 when the Council has an 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 (eg from an insurance claim), 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 where 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 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.

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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.

1.21 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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer through 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.

1.22 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.23 Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] 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:

- in the principal market for the asset or liability, or
- 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 the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the 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.

CIPFA Bulletin 22 – Indexation application guidance

November 2025

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but they are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.

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CIPFA Bulletin 22 – Indexation application guidance

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1. Introduction

1.1. Background

This bulletin's purpose is to provide application guidance for practitioners implementing indexation for the first time in the 2025/26 accounts. It is not intended to be exhaustive but provide guidance in some of the areas where judgements will need to be made by authorities.

The purpose of HM Treasury's Thematic Review of Non-investment Asset Valuation for financial reporting was to assess the current regime of valuation for non-investment assets across the public sector and to identify and evaluate the case, options and timing for any revisions to the existing approach. The review considered the strengths and areas for improvement of the current regime and potential developments going forwards. HM Treasury, in consultation with FRAB, concluded there was merit in exploring changes to the current regime and issued consultations in [March 2023](#) and [December 2023](#).

The Thematic Review considered introducing an adaptation to IFRS prescribing that revaluations must only be undertaken once every five years or on a five-year rolling basis, thus avoiding the need for more regular revaluations. During the [2025/26 Code consultation](#), CIPFA/LASAAC consulted on mandating a quinquennial revaluation or a five-year rolling basis for formal valuations, supported by annual indexation in the intervening years.

The main changes introduced to the 2025/26 Code are as follows:

- A revaluation expedient for property, plant and equipment requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.
- Transitional arrangements when applying these changes so they will be applied prospectively, with no restatement of prior year figures.
- To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the financial reporting manual (FReM).
- A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

1.2. Scope

The changes in the 2025/26 Code apply to the following asset categories:

- Other land and buildings

- Vehicles, plant, furniture and equipment
- Surplus assets
- Right-of-use assets measured at current value per Section 4.1 in the Code.

The changes do not apply to the following asset categories:

- Council dwellings
- Infrastructure assets
- Community assets
- Assets under construction
- Heritage assets
- Investment property
- Non-property assets that have short useful lives or low values (or both) where authorities elect to adopt a depreciated historical cost basis as a proxy for current value.

Social housing assets also fall under the remit of CIPFA/LASAAC and are required to be valued using the existing use value – social housing (EUV–SH) basis. The beacon approach is commonly applied to these assets and appears to be working effectively, providing useful information with a level of expediency. Therefore, CIPFA/LASAAC has made no changes for social housing assets and authorities should continue to use the beacon approach.

2. Indices

2.1 Considerations

Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations. Indexation works by considering the relative change in value using indices based on a range of factors – for example, normal inflation, local cost pressures and, for some assets, the scarcity of resources for replacing the assets.

Paragraph 4.1.2.39 of the Code states that the purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables, eg build costs, rental income etc. **Indexation is an approximation of market changes – it is not a valuation of a specific asset.**

CIPFA/LASAAC has not mandated the use of any particular index, and the Code sets out that the choice of index is a matter of judgement that should be made in the context of providing a reasonable estimate of the movement in the value of an asset from the prior year. Several points should be borne in mind by authorities when considering the options for indices:

1. Any index that is not based on actual market evidence is more likely to lead to a risk of divergence in indexed values compared to the professional valuations produced by market evidence at the quinquennial revaluation.

2. Commercially provided indices are typically based on a relatively limited transactional database.
3. Building Cost Information Service (BCIS) is only a measure of building construction cost inflation or deflation. It is inherently unsuitable as a proxy for the valuation of in-use, non-DRC valued, non-specialised in nature assets valued to EUV.
 - a) For example, during the aftermath of the financial crisis in 2008/09, the BCIS building construction cost index fell by between 10–12%, but as this is not related to market value, a considerable gap opened up between the indexed values and market values.
 - b) Similarly, in the post-pandemic period and with the impact of the Ukrainian conflict, building costs rose as reflected in the BCIS index; hence, again, these then diverged from market values.

Such a divergence from market values could be problematic and indeed potentially exacerbated further by authorities opting for different indexing options, understandably leading to additional audit scrutiny.

The 'gold standard' for an index is to be based on transactional evidence. Indices for smaller geographical areas such as electoral boundaries may not exist and therefore indices will instead need to cover a larger geographical area such as region.

Due to the need to be able to provide evidence to support any index used, **authorities are strongly encouraged not to produce their own indices** and to use existing commercially available indices instead. If authorities were to create their own indices, it's likely to be based on fewer transactions and may result in insufficient supporting evidence.

It is anticipated that a local authority's rolling programme of revaluations could produce different results to indexation. This is due to indices showing general trends across large areas based on historical data and, as a result, the estimated value of a property based on an index might not match its actual, full valuation. This is especially true in local areas where the property market is behaving differently than the wider market. Paragraph 4.1.2.39 of the Code makes it clear that **absolute precision is not expected, nor is it achievable**.

However, any significant differences should have clear and understandable reasons documented in working papers – for example, the local area where a property is located may have higher deprivation levels than the wider region, resulting in lower values.

2.2. Available indices

Not all indices listed in this bulletin are appropriate for every asset type or location. Authorities should exercise judgement to determine which indices (if any) are most suitable for their specific context.

Presently, we are not aware of any existing single general property valuation index in the United Kingdom. However, the following are published national indices:

- **BCIS all-in Tender Price Index (TPI)** is an index of inflation or deflation of building construction costs only. It is provided as a national index by the RICS Building Cost Information Service but with regional location factors to enable locational adjustment. As an index of building cost inflation only, this should be used for cost-based DRC valuations and is not suitable for valuations of land or assets on an EUV (comparable) basis.
- Land Registry currently produces its **UK House Price Index** by region.
- The Office for National Statistics (ONS) publish its **private rents and house prices** by region.
- In terms of general inflation in the economy, ONS provides the **Consumer Prices Index (CPI)** as a general measure of inflation in the economy. It is not property value related.
- Some larger national firms of surveyors do publish monthly reports of general movements in the market such as CBRE and Jones Lang LaSalle (JLL) among others.

Other potential sources include:

- **MSCI** – the American finance company who took over what used to be the Investment Property Databank (IPD) Index may be able to assist authorities with commercially available indices for property market movements.
- **CoStar** – a commercially available database may also be able to assist authorities.
- **PROMIS** – another commercially available database using source data from sources including MSCI.

2.3. Pathway for choosing an index

It is anticipated that the choice of index would require the guidance of an expert, and decisions would be led by a valuer with information provided by the accounting teams and agreed with the CFO. Authorities may wish to include the selection of indices as part of the engagement terms with their valuers.

The recommended pathway forward regarding indexation would be as follows:

1. For property assets valued to DRC the use of **BCIS all-in TPI** would be an acceptable index. Indeed, this index is already a key element in any DRC revaluation process. Authorities will need to make arrangements for access with BCIS either directly or via their valuer. Given BCIS is an index of building cost inflation only, it would not be appropriate to use BCIS to value the intrinsic land element.
2. For property assets that are valued to EUV by market comparison (non-specialised in nature), an index properly evidenced by property transactional evidence and by economic or government region would be preferable. When land includes an EUV property, using the same index as the property may be suitable if the land is intrinsically linked to the building.

3. For land, an index of movement by region in valuation properly evidenced by market transactional evidence in respect of categories of land including residential, industrial and agricultural. Sourcing indices for land is likely to be challenging, and authorities may need to follow the process where no suitable index is available. For example, Knight Frank's Residential Development Land Index might be suitable for residential development land in central London.

Paragraph 4.1.2.38 of the Code outlines the process to follow where no suitable index is available. In such cases where authorities are utilising the option to carry out a desktop revaluation in year three, authorities will need to document the indices they have considered and explain why they have deemed those indices inappropriate to use.

3. Accounting

3.1. Using indices to calculate the increase/decrease

Local authorities must apply the same indices to groups of assets valued using the same valuation methodology with similar properties, ie commercial building valued using EUV.

When applying indexation, it should be done as at 31 March, aligning with the Balance Sheet date to ensure consistency in financial reporting. Indexation can be applied to the closing net book value and authorities should apply the latest available index.

However, an authority may determine an alternative approach is more suitable. In such cases, the authority must ensure that the alternative approach is reasonable, justifiable and supported by clear documentation, with the decision taken with due regard to the overarching objective of ensuring a more proportionate approach to the measurement of non-investment assets.

When calculating indexation, authorities will require the year-on-year change in the relative value. This is always calculated as:

$$\frac{(\text{current year index rate} - \text{prior year index rate})}{\text{prior year index rate}} = \text{indexation increase/decrease}$$

For example, if indexation is applied to the closing net book value the indexation gain/loss is:

$$\text{Prior year carrying value} \times \text{indexation increase/decrease}$$

3.1.1. Example: applying indexation

The Agency for Paint Quality needs to apply indexation for the year ending 31 March 20XY to its land and buildings. The net book value of these assets as at 31 March 20XY is £1,100,000. Index rates provided by the Valuation Office were as follows:

31 March 20XX	31 March 20XY
105	117

The indexation increase will be:

$(117 - 105) / 105 = 0.1143$ (rounded to 4 decimal places – for example purposes only)

This effectively represents an 11.43% increase, and therefore the indexation gain is:

$£1,100,000 \times 11.43\% = £126,000$ (to the nearest thousand)

3.2. Accounting for the increase/decrease

Authorities will need to make a judgement as to whether the impact of indexation is material with regards to paragraphs 2.1.2.14–2.1.2.17 and 3.4.2.26–3.4.2.27 of the Code. **If an authority determines that the impact is immaterial, then it does not need to account for indexation in that year's accounts.** However, in applying indexation in the following year, the authority will need to account for the years when indexation was not applied and determine whether the cumulative impact of indexation over the financial years is material.

Changes to the valuation of non-current assets through indexation and/or revaluations are accounted for through the revaluation reserves or the surplus/deficit on provision of services as set out below.

Where indexation increases the carrying amount of an asset:

- normally the debit to property, plant and equipment will be matched by a credit to the revaluation reserve
- however, where the increase reverses a revaluation decrease or an impairment loss on the same asset that was charged to the surplus or deficit on provision of services, all or part of the revaluation gain is credited to the surplus or deficit on provision of services (up to the amount of the previously recognised loss, net of the depreciation that would have been charged had the loss not been recognised).

Where indexation results in a downward movement in the current value of an asset, the accounting approach is for the decrease to be charged against any balance in the revaluation reserve for the particular asset, then any excess to be debited to the surplus or deficit on the provision of service.

3.3. Accumulated depreciation treatment

IAS 16 provides two different treatments for accumulated depreciation at the date of revaluation. Accumulated depreciation is treated in one of the following ways:

- a) restated proportionately with the change in gross carrying amount of the asset; or
- b) eliminated against the gross carrying amount of the asset,

so that the carrying amount of the asset after revaluation equals its revalued amount.

The Code allows authorities to continue to use the elimination method but now also permits the proportionate method, although the latter would be a change in accounting policy. However, paragraph 3.3.1.4 of the Code does not require authorities to follow the requirements of IAS 8 for changes having regard to HM Treasury's Thematic Review on Non-Investment Asset Valuation, and no restatement of prior year figures is required.

The previous approach of elimination of accumulated depreciation may be easier for existing asset register systems to accommodate; however, CIPFA/LASAAC acknowledge that this may result in large numbers of revaluations to accommodate and so have provided flexibility under the Code to also allow use of the proportionate method.

3.4. Elimination method

The accumulated depreciation is eliminated against the gross carrying amount of the asset. This is because these measures are accounting estimates of changes in value relating to the consumption of assets whose cumulative effect is confirmed or contested by a formal valuation reflecting the actual condition of the property at the valuation date. The depreciation and impairment estimates are therefore made redundant by the valuation.

3.4.1. Example: elimination method

In the example above the net book value of the asset as at 31 March 20XY is £1,100,000 and the increase due to indexation was calculated to be £126,000. Using the elimination method, the entries for the year would be:

	1 April 20XX	In-year movements	31 March 20XY	Indexation	31 March 20XY
	£000s	£000s	£000s	£000s	£000s
Gross book value	1,200		1,200	26	1,226
Accumulated depreciation	0	(100)	(100)	100	0
Net book value	1,200	(100)	1,100	126	1,226

3.5. Proportionate method

While the proportionate method is now permitted as part of the changes to the Code in 2025/26, authorities are strongly advised to exercise caution before adopting this approach. This method may introduce additional complexity in both calculation and reporting. Given limited sector-wide experience with the proportionate method, authorities should carefully evaluate the time, resource and system implications before considering its implementation.

The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

3.5.1. Example: proportionate method

In the example above, the net book value of the asset as at 31 March 20XY is £1,100,000 and the increase due to indexation was calculated to be £126,000. Using the proportionate method, the entries for the year would be:

	1 April 20XX	In-year movements	31 March 20XY	Indexation	31 March 20XY
	£000s	£000s	£000s	£000s	£000s
Gross book value	1,200		1,200	137 <i>$(\frac{1,200}{1,100} \times 126)$</i>	1,337
Accumulated depreciation	0	(100)	(100)	(11) <i>$(\frac{100}{1,100} \times 126)$</i>	(111)
Net book value	1,200	(100)	1,100	126	1,226

3.6. Transitional arrangements

The Code states revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

This means that authorities do not need to engage valuers to revalue all assets during 2025/26 and can move to a five-year cycle as and when formal revaluations become due.

Prior to the 2025/26 Code, assets had to be revalued if their current value differed materially from their carrying amount at the reporting date (IAS 16, paragraph 34). Although this requirement has been removed in the 2025/26 Code, the balances as at 31 March 2025 can be considered materially up to date. Therefore, when applying indexation for the first time on 31 March 2026, the calculation of indexation gains or losses will be compared to the 31 March 2025 index (and not the index at the date the asset was last valued if earlier).

3.7. Additions

From 2025/26, the Code states that out-of-cycle revaluations are not required unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued. This means that the Code expects most assets will not be revalued by a valuer more frequently than every five years.

Authorities will need to continue having their usual discussions with valuers around financial year-end to review capital expenditure incurred throughout the year to determine the appropriate treatment.

Where subsequent expenditure on property, plant and equipment meets the criteria to be capitalised, it is added to the carrying amount of the relevant asset. Unless non-contributory costs (such as costs attributable to design flaws) have been included in the capitalised amount, the amount paid should provide a fair measure of the future economic benefits or service potential that will flow to the authority. There is no requirement to revalue the asset in these circumstances, unless the authority has indications that the asset might be impaired.

Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the Balance Sheet.

Where additions enhance an existing asset, authorities are not expected to index the old and new components separately. A more practical and expedient approach is to combine the components and apply indexation starting from the year the enhancement expenditure is incurred.

However, where additions result in the creation of a new asset, it would be most appropriate to start applying indexation in the year following acquisition.

3.8. Impairments

Undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with [IAS 36 Impairment of Assets](#). Rather it should be the consideration of impairment triggers that determine whether the recoverable amount of an asset needs to be calculated and therefore whether a full revaluation is needed before the next five-yearly revaluation.

IAS 36 paragraphs 12–14 set out the indicators that entities must consider when determining whether an asset is impaired. They do not necessarily require entities to undertake full revaluations each year to comply with the standard. The Code does not expect authorities to undertake a full, professional revaluation of an asset to demonstrate there are no indicators of material impairment.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

3.8.1. External sources of information

- a) There are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
 - 'Observable indications' include dilapidated state, significant disrepair and structural defects.
 - Physical changes to the vicinity could impact property values – for example, the building of a new bypass.
 - Economic changes within the vicinity – for example, the closure of a major employer.

- b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- This will be mainly for the entity to identify, but a general market decline such as that seen in the aftermath of the financial crisis in 2008/09 could be relevant.
 - Significant changes to funding or service delivery requirement from government.
 - Technological advances.
- c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- Have there been significant changes to interest rates or market yields?
 - This is more likely to affect assets not valued using DRC.

3.8.2. Internal sources of information

- d) Evidence is available of obsolescence or physical damage of an asset.
- The entity may identify if an asset has become obsolete in terms of suitability for the entity's service delivery needs. The entity's estates team will identify physical damage.
- e) Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
- g) An entity may identify other indications that an asset may be impaired and these would also require the entity to determine the asset's recoverable amount or, in the case of goodwill, perform an impairment test in accordance with paragraphs 80–99 of IAS 36.
- h) Evidence from internal reporting that indicates an asset may be impaired.
- i) Capital projects – for example, if capital expenditure occurs between valuations that does not add value, should this be impaired?

3.9. Reclassifications

During the five-year period covered by a rolling programme of valuation reviews, it is possible that the policy or other decisions of the authority will affect the categorisation of properties. Alternatively, changes of use may occur. These changes could alter the valuation. For example, when a property used for service delivery is declared surplus and not reallocated for the same service, its class changes to surplus assets or held-for-sale assets. Reallocation within services may also affect an asset's classification – eg, where a school is used as offices or workshops. In

either case, the authority may need to commission a separate valuation of the property concerned.

3.10. Annual depreciation charge

The changes to the Code relating to indexation do not remove the requirement to calculate the depreciation charge in accordance with existing principles. The depreciation charge shall be based on the depreciable amount allocated over the useful life of the asset using a depreciation method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed, as set out in paragraph 4.1.2.44 of the Code.

Furthermore, it is important to remember that the asset life should be reviewed at least at the end of each financial reporting period. See paragraph 4.1.2.46 of the Code.

4. Disclosures

The Code provides a definition of materiality in paragraph 2.1.2.14 that is applied to information and disclosures in local authority financial statements. The Code only requires local authority financial statements to disclose information that is material. Local authority financial statements should only include disclosures that are material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

4.1. Accounting policies

Authorities should also review their accounting policies to ensure they meet the requirement set out in paragraph 4.1.4.2 of the Code. Disclosure of accounting policies in relation to property, plant and equipment is required where these accounting policies are significant to the authority's financial statements. An authority shall disclose information within these accounting policies that helps users to understand the valuation techniques used to develop the current value measurements for significant categories of property, plant and equipment.

4.2. Assumptions made about the future and other major sources of estimation uncertainty

Authorities should consider if disclosures regarding assumptions made about the future and other major sources of estimation uncertainty are required in line with paragraph 3.4.2.96 in the Code.

The disclosure of estimation uncertainty is limited to those estimates that have a significant risk of resulting in a material adjustment within the next financial year. The requirements are for details of:

- the nature of the assets and liabilities affected
- their carrying amount at the end of the financial year.

Authorities shall also refer to paragraphs 126, 127 and 129–133 of IAS 1.

4.3. Property, plant and equipment disclosures

The disclosure requirements for property, plant and equipment are set out in paragraph 4.1.4.3 of the Code. Included below is narrative authorities can choose to follow to explain the change in valuation regime from 2025/26:

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 revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

Authorities should also consider disclosing significant assumptions applied in estimating the current values of property, plant and equipment in the revaluation note, including the use of indices. Authorities may also consider cross-referencing between the property, plant and equipment (PPE) note and assumptions made about the future and other major sources of estimation uncertainty note where relevant.

Authorities are encouraged to disclose the indices used and the calculations applied in their valuations. This transparency supports users in understanding the basis of the valuations and how the values might change under alternative assumptions. Disclosures should include the specific indices referenced and a clear explanation of the calculation methodology. To assist users' understanding, the revaluations note could present assets revalued through full valuations in the year they are performed, with a separate line for those adjusted using indexation. Full revaluations are carried out every five years and include desktop valuations in year three for when no index is available, while indexation is applied in the intervening years to reflect updated values. Separating these movements enhances transparency and helps users understand both the timing and the basis of changes in asset valuations. Included below is example text to disclose the different valuation basis.

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

4.3.1. Example disclosure

Index	Average change %	Valuation change £000
Index A	x	x
Index B	x	x
Index C	x	x
Other indices	x	x
Total indexation applied in 20X1/X2	x	x

[Note: Authorities may decide to include an 'Other indices' line for immaterial valuation changes to ensure this table agrees to the figures in Note 4 *Assumptions made about the future and other major sources of estimation uncertainty*.]

5. Audit considerations

5.1. Audit evidence

Auditors will not have a standard approach to the audit of indexation. Auditors will need to obtain sufficient appropriate audit evidence that indexation movements are not materially misstated. However, they are required to design and perform audit procedures for this purpose that are appropriate to the circumstances of that particular audited body. The procedures will be drawn from the principles of [ISA \(UK\) 500 – Audit Evidence](#) and [ISA \(UK\) 620 – Using the Work of an Auditor's Expert](#).

Auditors will consider many factors in assessing the risk of material misstatement arising from indexation. These will include the mix of asset types in the portfolio (particularly the proportion of assets that are specialised), the reliability of the asset register, the level of involvement of experts, the quality of the indices available for potential use and any incentives for management bias.

However, auditors will have common expectations of the objectives that authorities should satisfy in the indexation process and the information that should be available to them.

The following tables sets out the documents that accounts preparers can be expected to have available, covering:

- materiality assessments
- use of experts
- selection of indices
- application of indices.

5.2. Materiality assessments

Auditor expectations	Example evidence preparers could provide
The materiality amounts set by the authority are effective in supporting judgements on whether asset types require indexation and for assessments of the reliability of indices that are used.	A record of the assessments made of the thresholds beyond which the decisions of users could reasonably be expected to be impacted by potential misstatements (including the impact on the CIES of depreciation charges and any indexation losses).

Auditor expectations	Example evidence preparers could provide
	Authorities need to ensure they discuss management's materiality thresholds with their auditors.
Where an authority determines the impact to be immaterial, the assessment is clearly documented, including the assumptions used in reaching that judgement.	<p>A documented description of how management has made that assessment, supported by sufficient analysis to support the judgement reached.</p> <p>However, in applying indexation in the following year, the authority will need to account for the years when indexation was not applied and determine whether the cumulative impact of indexation over the financial years is material.</p>
How has management assessed estimation uncertainty associated? For example, considered alternative indices/source data and sensitivity analysis.	This could be demonstrated by assessment performed to show consideration of alternative indices/source data and sensitivity analysis.

5.3. Use of experts

Auditor expectations	Example evidence preparers could provide
The authority has ensured that experts with the necessary competence, capabilities and objectivity have been commissioned to support the accounting work.	A record of the evaluations undertaken by the authority of the suitability of the experts for the work required. This should be supported by evidence such as engagement letters.
Obtain and document an understanding of the work of management's expert.	Engagement scope documents, valuation reports, methodology statements and correspondence outlining the expert's role.
The data provided to the experts is comprehensive and sufficiently accurate and complete to support their work.	Copies of the data provided to the experts, with cross-references to its sources.

Auditor expectations	Example evidence preparers could provide
Where the expert has made assumptions and judgements, these have been considered by the accounts preparers as to their reasonableness and appropriateness.	A record of the considerations given to the expert's reports and decisions taken to adopt their assumptions and judgements.

5.4. Selection of indices

Auditor expectations	Example evidence preparers could provide
Indices selected are in all material respects:	
<ul style="list-style-type: none"> • verifiable to a reliable source 	Verifiable copies of source documentation.
<ul style="list-style-type: none"> • relevant to the asset type 	<p>A record of the judgements made for each index used as to:</p> <ul style="list-style-type: none"> • the asset types that it is considered applicable for • where the index is not ideally specialised for an asset type, the reasons for disregarding the limitations • where two or more indices might be relevant to an asset type, the reasons for the choice made • where different indices have been applied to comparable asset types, the justification for the apparent inconsistency.
<ul style="list-style-type: none"> • relevant to the location of the asset 	A record of the judgement made for each index that it sufficiently reflects local market conditions.
<ul style="list-style-type: none"> • appropriate for 31 March 	Evidence of the index's coverage period (eg publication date, frequency) and confirmation that it reflects market conditions up to the reporting date.
<ul style="list-style-type: none"> • consistent with other evidence that the authority has about movements in asset values 	A record of the consideration that has been given to other evidence (local market reports, corroborating data from in-year valuations, etc) and the judgements made about the

Auditor expectations	Example evidence preparers could provide
	reliability of each index or the adjustments that should be made to them.
Where it has been determined that there are no indices that meet these criteria for a particular asset type, this determination is reasonable.	A record of the process that led the authority to the determination (including the indices that were considered and the reasons why their limitations could not be disregarded).

5.5. Application of indices

Auditor expectations	Example evidence preparers could provide
Indices have been applied to carrying amounts in accordance with the requirements of the Code.	Documentation of the accounting entries made to recognise indexation adjustments in the financial statements (covering CIES, Balance Sheet and MiRS).
Where the Code allows for choice, the selection of accounting policies is reasonable and appropriate to the authority's circumstances (eg, the carrying amounts against which an index has been applied, the treatment of components, the treatment of accumulated depreciation).	A record of the accounting policy choices made and the justification for them.
Accounting treatments have been applied consistently across asset types.	A record of any differences in application and the reasons for each difference.
The calculations required to apply indices to carrying amounts have been performed completely and accurately and aggregated appropriately.	Detailed spreadsheets showing how base figures have been modified and aggregated to arrive at entries in the financial statements.
Adjustments made to published indices to reflect local circumstances are supportable.	<p>A record of the adjustments processed and of the judgements made that:</p> <ul style="list-style-type: none"> • the index would be more reliable if adjusted for the characteristics of the authority's assets or its geographical location • the particular adjustments made secure this improvement.

Auditor expectations	Example evidence preparers could provide
	Documentation of the evidence used to support the calculation of the adjustment.

6. Acknowledgements

This guidance was developed in collaboration with the Better Reporting Group (BRG) indexation and asset valuation project group, supported by CIPFA secretariat. The project members were:

John Newton (Chair)	Hampshire County Council
Daniel Bale	Valuation Office Agency
Jade Brunt	Manchester City Council
Sudesh Chander	HM Treasury
Elanor Davies	Scottish Government
David Ellis	CIPFA (Finance Advisory Network)
Shabana Kausar	London Borough of Barking & Dagenham
Helen McLeod-Baikie	Bruton Knowles
Allison Rhodes	Grant Thornton
Myles Riordan	Valuation Office Agency
Alex Rycroft	North Northamptonshire Council
Stephen Sheen	Ichabod's Industries Ltd

7. Join the Better Reporting Group (BRG)

For more information on the work of the BRG, including current and future projects, [please visit the CIPFA website](#). If you're interested in contributing to the BRG, please complete the [new member form](#) expressing your preferred involvement and a brief professional background.

If you have any questions or suggestions for the group, please email them to policy.technical@cipfa.org.



Report to: Audit & Accounts Committee Meeting 22 April 2026
 Director or Business Manager Lead: Nick Wilson, Business Manager Financial Service
 Lead Officer: Andrew Snape, Assistant Business Manager Financial Services, ext 5523

Report Summary	
Report Title	<i>UNDERLYING VALUATION ASSUMPTIONS FOR 2025/2026 STATEMENT OF ACCOUNTS</i>
Purpose of Report	<i>To provide Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2025/26 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment).</i>
Recommendations	<i>Members note and approve the assumptions used in the calculation of asset valuation figures for 2025/2026.</i>

1.0 Background

- 1.1 IAS 16 – Property, Plant and Equipment is one of the financial reporting standards with which the Council must comply with when producing its annual Statement of Accounts.
- 1.2 IAS 16 outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost and is then subsequently measured using a revaluation model. Under the revaluation model, the assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS).
- 1.3 The Code has been updated for the 2025-26 financial period to prescribe that revaluations should only be undertaken once every five years or on a five-year rolling basis supported by annual indexation in the intervening years.
- 1.4 As outlined in more detail elsewhere on the agenda within the report titled ‘*Statement of Accounting Policies 2025/2026*’, the revised requirements mean that assets not revalued during the financial year must be adjusted using the appropriate indices.

1.5 In accordance with the category-based approach and the recommendations set out in CIPFA Bulletin 22 – Indexation Application Guidance, the following indices will be adopted for indexation purposes:

- Specialised Property. Percentage movement from All-In TPI published by BCIS (National).
- Offices. Percentage movement from Co Star and MSCI data (Regional).
- Retail. Percentage movement from Co Star and MSCI data (Regional).
- Industrial. Percentage movement from Co Star and MSCI data (Regional).
- Residential. Percentage movement from the Land Registry HPI index (Regional).
- Land. Percentage movement informed from published reports provided by KF / LSH / Savills etc (National) covering:
 - o Agricultural Land
 - o Residential Land
 - o Commercial Land
 - o Amenity Land

1.6 In addition, certain asset types may not have an appropriate index available and would therefore be subject to the three-year desktop valuation approach. At present, it is anticipated that car parks may require valuation on this basis; however, this will need to be confirmed in consultation with the external valuer and external auditors.

1.7 The Council appointed an external valuation consultant, Wilks Head and Eve, who performed the independent valuation of the list of assets. Attached at **Appendix A** is their valuation report, on assets excluding the Council Dwellings, which includes all their assumptions used to ascertain a valuation figure.

1.8 The list of assets, excluding the Council Dwellings, which have been identified for revaluation during 2025/26 is attached at **Appendix B**.

1.9 The Council’s dwelling assets are revalued every year due to the volatility and the group value of the assets nature. Each financial year a desktop review will be undertaken to account for the changes in the valuations, however once every five years a full revaluation will take place on a beacon basis. Financial year 2025/26 is a desktop review year as the financial year 2023/24 was a full revaluation for the Council Dwellings. Attached at **Appendix C** is their valuation report which includes all their assumptions used to ascertain a valuation figure.

2.0 **Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Implications Considered			
Yes – relevant and included / NA – not applicable			
Financial	NA	Equality & Diversity	NA
Human Resources	NA	Human Rights	NA
Legal	NA	Data Protection	NA

Digital & Cyber Security	NA	Safeguarding	NA
Sustainability	NA	Crime & Disorder	NA
LGR	NA	Tenant Consultation	NA

Background Papers and Published Documents

Nil



Valuation Report

IN RESPECT OF VALUATION OF LAND AND PROPERTY ASSETS FOR NEWARK & SHERWOOD DISTRICT COUNCIL 2025/26 FINANCIAL PERIOD

Issued On: 14/04/2026

Valuation Date: 31/03/2026

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London,
WC1A 1BS

WH&E WILKS
HEAD
& EVE
CHARTERED SURVEYORS
AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to the valuation of the properties identified by the Authority under the revaluation programme for the 2025/26 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The Valuer has arrived at their opinion of Current Value and Fair Value from referring to recent comparable market transactions.

For Specialised properties, the Current Value has been derived using Depreciated Replacement Cost methodology.

We have advocated a clear and transparent valuation process to provide valuations as part of the adoption of IFRS compliant accounting process.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed on a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

SECTION ONE - INTRODUCTION

Our draft valuation results were forwarded to the Authority in advance of the final report, and this allowed a review process between the Authority and the Valuer to take place.

VALUATION STATEMENT

We are of the opinion that as at 31st March 2026, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

- £Draft
- (Words, Words and More Words pounds)

It is important to note that the above values reflect the total gross value of the properties selected for revaluation by the Authority and may not represent the full values of the overall portfolio(s).

All prices or values are stated in pounds sterling.

As mentioned above the individual Gross, Residual and Depreciable values are included and provided electronically in excel format and should be read in conjunction with this report.

These excel documents are appendices to the report.

These individual sheets and summary also include our opinion of Weighted Average Remaining Useful Life.

We certify that this valuation report fulfils the requirements of the RICS and in terms of the application of IFRS Code for your revenue accounting purposes.



G S C Harbord MA MRICS IRRV (Hons), (Partner), an RICS Registered Valuer



reviewed by A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- G S C Harbord MA MRICS IRRV (Hons), RICS Registered Valuer, Partner

The report was subject to the internal audit by the in-house RICS qualified Partners.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1 and PS2.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark & Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over-familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark & Sherwood District Council to the total fee income of Wilks Head & Eve LLP would be considered minimal (i.e. less than 5%).

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

- Newark & Sherwood District Council
- Council Offices, Castle House, Great N Road, Newark-on-Trent, Newark, NG24 1BY
- Jenna Norton

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities general fund portfolio and are listed in full within the separately appended 'reporting summary' document.

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

IDENTIFICATION OF ASSETS TO BE VALUED

The Authority determined that certain assets required revaluation.

These included both freehold and leasehold assets under the following groupings:

- Assets which were due for revaluation under a determined revaluation cycle forming either:
 - A full valuation of the portfolio.
 - A full valuation of a proportion of the portfolio as part of a rolling programme.
- Assets which require an interim desktop valuation due to no index being available (where appropriate).
- Assets subject to major alteration or impairment (where appropriate).
- New assets (where appropriate).

The properties are individually identified within the appended reporting summary document.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

The Code has been updated for the 2025-26 financial period to prescribe that revaluations should only be undertaken once every five years or on a five-year rolling basis supported by annual indexation in the intervening years.

As referenced, the changes introduced within the 2025-26 financial period have also introduced the requirement for assets not valued during the financial year to be indexed to relevant indices.

We have completed this exercise as a separate process to this valuation exercise.

There are some assets for which there is no index available, and these will be valued on an interim desktop basis in year three of their rolling programme.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

If any value significant changes occur to assets held within the portfolio after this report is prepared, and a valuation is required, it may be that a separate valuation and report will need to be completed – usually in the form of a Material Change Report.

DATE OF VALUATION

Further to instructions from the client, we have agreed to report the valuations at the following valuation date:

- 31st March 2026

EXTENT OF INVESTIGATION

Further to the instructions from the Authority, we have inspected selected assets as part of this exercise.

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

Information supplied by the Authority includes:

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

- List of assets requiring a valuation
- Site and Floor Plans
- Floor and Site areas
- Tenure Details
- Rental Schedule

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then it could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

IFRS 13 FAIR VALUE – INVESTMENT AND SURPLUS ASSETS

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

In addition to arriving at the 'Fair Values' for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'Fair Value hierarchy'.

The hierarchy categorises the inputs used into three levels and the Fair Value category is applied based on whether the Valuer has used more observable or unobservable inputs within the valuation.

In the case of the Authority there are no assets which have been categorised as either Investment Properties or Surplus assets. Therefore, no assets have been valued at Fair Value.

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2025/26.
- International Financial Reporting Standards (IFRS).

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued December 2024 and effective 31 January 2025) and the RICS Valuation – Global Standards: UK National Supplement 2023 edition (issued October 2023 and effective from 1 May 2024)

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards: UK National Supplement 2023 edition – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

Apart from infrastructure, community assets and assets under construction, the Code sets out that the basis of value for all property, plant and equipment assets is to be current value.

There are four measurement approaches to calculating current value in the Code:

- **For operational property, plant, and equipment:**
 - Existing Use Value (EUUV) in accordance with the definitions in UK VPGA 6 and guidance in the Code
 - Existing Use Value – Social Housing (EUUV-SH); in accordance with the definition in UK VPGA 7 and guidance in the Code
- **For specialised assets**
 - Depreciated Replacement Cost (DRC) in accordance with UK VPGA 1.5 (see also RICS UK guidance note Depreciated Replacement Cost method of valuation for financial reporting, 1st edition)
- **For surplus assets**
 - Fair Value as defined under IFRS 13 and as adopted by the Code.

Investment Property is to be valued at Fair Value.

Assets Held for Sale are to be valued at the lower of their carrying value and Fair Value as appropriate to the measurement requirements of the Code.

We have provided (where appropriate) Fair Value valuations for these assets, and we understand that these will be cross-referenced with carrying values held by the client.

Heritage assets are to be measured at valuation (or cost). These valuations may be made by any method that is appropriate and relevant.

Infrastructure, community, and assets under construction are to be measured at historical cost.

For depreciation purposes assets are to be recognised on a component basis, where components have a significant cost in relation to the total cost of the asset.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

In practice this can be achieved by separately accounting only for significant components that have materially different asset lives, or where different depreciation methods are used.

The Valuer's role is to aid in the identification and classification of assets and, essentially, to provide the Current Value or Fair Value of those assets.

No allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise at disposal.

VALUATION APPROACH AND REASONING

A) Property, Plant & Equipment (PPE) Assets

- Current Value – EUV
 - In respect of Operational, Non-Specialised Properties, classified as PPE assets, the Current Value has been interpreted as the amount that would be paid for the asset in its existing use. The Valuer has met this requirement by providing a valuation based on EUV in accordance with UK VPGA 6.
 - EUV valuations have also been completed in line with the RICS Professional Standard 'Existing Use Value (EUV) Valuations for UK public sector financial statements' 1st Edition July 2023 (effective October 2023).
 - EUV is defined in the Red Book under UK VPGA 6 as:
 - 'The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'
 - For these purposes EUV ignores any element of hope value for an alternative use or any value attributable to goodwill.
 - EUV assets have been valued, with reference to market-based evidence, via the comparative method of valuation via the Market (comparative method) or Income (profits method) approaches.
 - Further to our instructions for assets valued under an EUV approach; the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.
 - Where EUV may be materially different to MV a comment has been provided within the individual valuation sheet.

- Current Value – DRC

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

- In respect of specialised properties, the Valuer has adopted the DRC method of valuation to assess Current Value in existing use.
- The Valuer has provided these valuations in accordance with the Red Book under; UK VPGA 1.5 in addition to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- DRC is defined as:
- ‘The current cost of replacing an asset with its modern equivalent, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.’
- For each asset valued under the DRC approach the Gross Replacement Cost (GRC) of providing a new modern equivalent asset has been assessed.
- This GRC has then been adjusted to reflect obsolescence to arrive at the Net Replacement Cost.
- Unless specifically noted within the valuation it has been agreed with the client that the current floor areas of the assets valued are representative of the modern equivalent asset for these purposes.
- Replacement costs have been arrived at with reference to the RICS BCIS Cost guides which are published by the RICS and have been adopted relevant to the valuation date.
- An additional allowance has been reflected within the valuation for the Externals element which has been applied on a per property basis based on an analysis of construction projects within the RICS BCIS database.
- Depreciation & Obsolescence
 - The Valuer has determined an appropriate scaling for depreciation which relates to the physical deterioration, function, and other economic factors for each asset valued.
 - The Valuer, with reference to the ‘Red Book’, IFRS and the CIPFA Code, has adopted a reducing balance approach in applying obsolescence to assets valued on a DRC basis assuming an initial asset life of 60 years.
 - Under this methodology, a form of straight-line depreciation occurs over the first 25 years of the asset life from construction date (with no deferral period).
 - This shift in application of obsolescence once the 25-year period is reached represents our professional judgement as to where physical depreciation rates of certain components are at their limit and an assumption is that routine repair and maintenance would be carried out. This expected future repairs and maintenance through capital expenditure prolongs the physical depreciation of the assets within the portfolio.
 - However, these assets continue to become physically, functionally, and economically obsolete, so the calculation applied based on ‘age’ and ‘life’ ensures obsolescence still increases but at a slower rate past the soft threshold.
 - Therefore, after 25 years depreciation continues to be applied at a reducing rate.
 - The 25-year timeframe has been determined via a professional judgement informed by our componentisation research as is considered appropriate and reflective in this instance.
 - In addition, each asset valued is subject to review. For example, where there has been reported material capital spend this will be reflected in the obsolescence applied or, alternatively if we are aware an asset has fallen into considerable

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

disrepair then adjustments will also be made either through known costs or our judgement.

- This approach represents our professional judgement as an appropriate measure of application for assets operated within a Public Sector portfolio wherein initial expected asset lives are often extended via capital expenditure.
- This approach is also in line with the reducing balance guidance outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- Discussions are held with the clients on the quality and condition of assets which are cross-referenced with our inspection findings (where appropriate).
- In conjunction with the above it is important to note that each asset valued is assessed separately and a 'stand back and look' approach adopted.
- In some cases, because of this review it has been agreed that a higher or lower percentage should be applied based on individual circumstances.
- Examples of these variations would include assets where there are known structural defects or assets which have been subject to comprehensive refurbishment or assets which are technologically obsolete or have timeframes for demolition.

○ Land Values

- The Valuer arrived at the land values with reference to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- Specific reference has been made to: 'Section 7 – The site value of a specialised property' and this has been taken into consideration.
- The land calculation has therefore been arrived at via two separate calculations, one for the developed land area and one for the undeveloped land area (where appropriate).
- In line with this guidance the Valuer has arrived at its estimate of the developed land area based on what it may cost to acquire each site on the market at the relevant valuation date.
- This may be based on EUV, estimating the cost of purchasing a notional replacement site in the same locality on the basis that the site is suitable.
- Where the site is determined to be too specialised in market terms the Valuer has referred to the potential range of uses which are appropriate for the locality of that site.
- For these purposes it was agreed with the client that the modern equivalent assets would remain on the current site in relation to the developed areas.
- This estimate varies depending on the location of each asset and as outlined within the guidance there are practical difficulties in determining from what planning use it is appropriate to draw the sales comparison, and it may mean that a potential service purchaser would need to compete with other potential alternative uses for the land.
- The resulting conclusion is that the Valuer has established, in their professional view, what is the most appropriate amount that a prudent purchaser would pay to

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

acquire a site for an equivalent development in a relevant location at the valuation date.

- For un-developed land areas, predominately comprising Playing Fields or areas of amenity land, the Valuer has provided the value (where appropriate) based on their professional opinion of prevailing amenity land values for the location at the valuation date as outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- DRC Valuations are subject to the prospect and viability of the continued occupation and use.
- Due to the specialised nature of these properties the value estimated using the DRC method is not based on the evidence of sales of similar assets in the market.
- See paragraph below in the Departures section in relation to “Instant Build”.

B) Investment, surplus and assets held for sale.

- Fair Value
 - In respect of Investment, surplus and assets held for sale the valuations have been reported using the IFRS 13 definition which is set out in the Red Book under VPS 2 Paragraph 7, Fair Value as:
 - ‘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.’
 - But while fair value for financial reporting, whether under IFRS or under UK GAAP, is defined using slightly different language from that in the IVS market value definition (see VPS 2 section 4), the underlying concept is essentially the same.
 - In most cases the figure to be reported as the fair value of an asset is also that which would be reported as its market value.
 - VPS 2 section 4 which defines Market Value as:
 - ‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’
 - Where appropriate for assets valued to Fair Value (surplus assets) the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.

C) Social Housing

- Where housing held for social housing purposes are held within the general fund portfolio these have been valued to Current Value via the Existing Use Value for Social Housing (EUV-SH) basis defined within UK VPGA 7.

Full valuation definitions are included within Section 3 of this report.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

D) IFRS 16

- Right-of-use Value
 - Following the implementation of IFRS 16 for the 2024-25 financial year, where the Authority holds leasehold property as a lessee the value of this right-of-use (RoU) will need to be reported.
 - We have not completed the initial recognition exercise at cost with reference to the present value of the minimum lease payments.
 - We have completed the subsequent measurement exercise in this instance.
 - This has been completed in line with the RICS Practice Note – IFRS 16: Principles for UK real estate professionals published in March 2022.
 - A summary of the approach is outlined below:
 - The general revaluation principle is that RoU assets should be measured on the same basis that the underlying asset would be valued if owned by the tenant, while only reflecting the rights that the lessee has acquired, and not the full value of the item.
 - The revaluation method for a non-specialised RoU asset is unlike valuing a typical long lease in other circumstances, where the profit rent is capitalised at an appropriate rate over the lease period during which the profit rent can be enjoyed.
 - When valuing RoU assets, one ascertains the full market rent at the valuation date and capitalises it, rather than having regard to any profit rent of the lessee's passing rent, whether that be a peppercorn, under-rented or over-rented figure.
 - For non-specialised assets we have followed section 5 of the Practice Note.
 - 5.1 the aim is to appraise what would be payable were the lessee to be deprived of the use of its lease and must replace it with a similar asset under the same lease terms.
 - For specialised assets we have followed section 6 of the Practice Note.
 - 6.2.1 The preferred method is to mirror the revaluation approach for non-specialised leasehold assets under IFRS16 of establishing a rental figure as at the valuation date – in this case a 'proxy DRC rental' – and then capitalising that figure for the remaining non-cancellable period of the lease.
 - However rather than establishing a single rental figure which combines both the land and building a twin track approach is proposed.
 - This envisages a proxy DRC rental figure being established for the specialised asset and a separate rental figure being assessed for the land associated with the specialised asset.
 - Each rental figure is then capitalised for the remaining lease term certain.
 - The resulting capitalised figures can then be added together at the end of the calculation to arrive at the right-of-use asset valuation
 - The Practice Note outlines that where the unexpired term is over 100 years then the asset will usually be valued on a DRC basis without adjustment.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

DEPARTURES

In addition to the above commentary in relation to the DRC method of valuation it should be noted that paragraph 4.1.2.7 of the Code sets out that Valuers should adopt the ‘instant build’ approach when producing DRC valuations and states that:

- ‘Where DRC is used as the valuation methodology, authorities should use the “instant build” approach at the valuation date.’

The ‘instant build’ approach means that finance costs are excluded from the valuation.

The Red Book does provide guidance on this issue within section 1.5 of DRC method of valuation for financial reporting, 1st Edition:

- ‘Where DRC is used for valuations in the public sector, there may be specific requirements within the rules governing those valuations that amend specific parts of this guidance. Such specific requirements take precedence over this guidance note’.

This departure note would allow the Valuer to amend the defined DRC valuation method.

Further to the above and general auditors’ comments we have received we have provided these valuations on the instant-built approach.

IMPAIRMENT

We are aware that our valuation opinion provides a re-valuation of existing properties already contained and included within your asset portfolio for capital accountancy purposes.

The valuation procedures place a requirement upon the independent external Valuer to comment upon any ‘value’ significant effects which may have influenced values in the area since the last valuation process, over and above the general movements in the marketplace.

An emphasis is placed to note any “Trigger” events which may have affected value in a drastic or unexpected way. These events may lead to a general “impairment” or indeed “betterment” in values for your portfolio, or specific elements therein.

The review process for the Valuer in these terms places a duty to review whether the proportion of the portfolio, not valued directly, has been affected by impairment and not addressed otherwise since our, or others, last valuation, or market review.

We carry out this exercise as part of the Indexation Commentary document provided for the full financial period at the closing book date of year period (31st March), and therefore these elements are not specifically covered within the report unless noted within the individual valuation.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

However, for this report it is worth noting that we are in a period of general uncertainty in relation to many economic factors that impact the property markets.

The following areas are relevant for these purposes:

- Global and National inflationary pressures, higher interest rates and currency movements.
 - These factors can lead to great volatility in property markets. Consumer and investor behaviour is sensitive to these volatility issues.
- The Russian invasion of Ukraine.
 - This is an ongoing situation with potential wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the invasion although we will continue to monitor as the crisis continues.
- The Israel and Palestine Conflict.
 - This brings instability to the middle eastern region. This is an ongoing situation which has wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the conflict, we will continue to monitor as the crisis continues.

With reference to the above the probability of our opinion of value exactly coinciding with the price achieved, in the case of a sale, has reduced.

Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

For the avoidance of doubt, however, our report is not reported as being subject to ‘material valuation uncertainty’ as defined by VPGA 10 of the RICS Valuation – Global Standards.

COMPONENTISATION

The Valuer has provided componentised valuations within the report.

The CIPFA Code provides a useful description of the concept of component accounting:

IAS16 says “each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately”.

The application of accounting for components applied from 1st April 2010.

The Valuer has analysed as much comparable build cost data applicable to the portfolio as possible.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

The approach assumed that the costs for a particular build type when analysed would allow the Valuer to identify suitable major components present in assets represented within the Local Authority portfolio.

At the outset, the Valuer has sought to determine the components, the percentage attributable to that component of overall building cost, and the relative lifespan of that component over which to depreciate for each class of property type valued in the portfolio.

The resulting information, presented as a representative “Beacon”, has then been applied to all similar properties within the portfolio and a suitable analysis carried out to determine a policy for what constitutes a “major component” and to inform the level of materiality at a component level.

As a result of the investigations, it was not always possible to use actual build cost data from the specific Local Authority portfolio. The Valuer has been able to gather relevant data from WHE’s existing client portfolio, which includes other Local Authorities, but took the view that it was more reliable to use information from the Building Cost Information Service of RICS (BCIS) which has provided specific build cost data already analysed on a common approach for comparable property types within England and Wales.

As a result of the analysis the Valuer has been able to apply several componentisation property descriptions to the portfolio. For each of these property descriptions, a beacon property summary has been produced.

The analysis of data has resulted in new build property evidence to represent components by percentage of the overall assets and full life estimates for those components where appropriate.

The full life estimates for these key components have been determined from the information provided by market manufacturers, client data supplied for this purpose and from our research in the BCIS costing indices.

This approach is in line with the outline approaches within the IFRS, CIPFA and RICS guidance.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2026.

These circumstances may include material changes and new acquisitions and if required it would be reported separately to this report.

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain and reasonable additional explanations and assistance to the Authority where the process will be subject to audit.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

ASSUMPTIONS

- **Planning Proposals**

We have not made formal written enquiries to the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to influence the value of the properties unless these were specifically notified to us.

- **Construction and State of Repair**

Structural / Condition surveys have not been undertaken of the properties, nor have the service installations been tested.

We have not carried out a structural survey, nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.

Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on value.

- **Hazardous or Deleterious Materials**

We have not arranged for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report, we have assumed that such an investigation would not disclose the presence of any such material in any adverse condition.

- **Contaminated Land**

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property, and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.

- **Plant and Machinery**

Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated in the relevant Valuation Statement.

- **Lotting**

Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.

- **Taxation**

No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- **Acquisition and Disposal Costs**

No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on acquisition or disposal, respectively.

The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

The Valuer has not been asked by the client to specifically reflect these costs separately. Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

- The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

- In determining the figure to enter the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued based on market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.
 - FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees. The Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a direct attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.
 - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonably anticipated.
- **Energy Performance Certificates**

In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.

This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating between A and G.

Since 26th March 2015, the minimum energy efficiency standard (MEES) has been introduced.

This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.

From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then as of 1st April 2023 non-domestic properties too.

Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.

For commercial, it has been indicated that these requirements will tighten again in the near future, with a proposal that commercial properties must have an EPC rating of C or higher by 1 April 2027, and B or better by 2030.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

For residential, under current government proposals, in 2025 this will be upgraded to a requirement for the rating to be C or higher for any new lettings, and in 2028 it will also apply to any continuing tenancies.

For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes. Exceptions will be clearly identified within the valuation because of current client data being provided.

- **Sustainability**

We consider sustainability and environmental issues as part of the valuation process. This includes the guidance outlined within the RICS guidance note 'Sustainability and ESG in commercial property valuation and strategic advice 3rd Edition - December 2021' which is effective from 31st January 2022 in addition to VPGA8 section 3 – Sustainability and environmental, social and governance (ESG) matters in the RICS Global Standards December 2024.

The role of the Valuer is to assess and report value in light of the evidence obtained.

The Red Book Global Standards VPGA 8 section 3.7.3 states:

'While Valuers should reflect markets, not lead them, they should be aware of sustainability features and the implications these could have on property values in the short, medium and longer term.'

From a valuation perspective we therefore recognise that Sustainability has an impact on the value of an asset implicitly and/or explicitly and where relevant/possible these have been reflected in the valuations completed.

We can also confirm that we have considered the Environmental, Social and Governance factors outlined within VPGA 8 Section 3 where relevant and appropriate for this valuation instruction and report.

This includes consideration for environmental impacts on value which may include reports provided by third parties who specialise in these fields covering flood risks, contamination and costings in relation to regulatory energy efficiencies and decarbonisation requirements.

Examples of non-environmental considerations for ESG include location, mobility and connectivity. These typically reflect the overall quality and useability of an asset, which are considered when valuing property assets.

Social value considerations are often a specialist area within the planning, development and repurposing of real property interests. As valuers we discuss matters with the client on appropriate property assets. Design, land use, accessibility, community impact, legislation and adaptability are matters that are considered

We are generally reliant on our clients to provide us with this information where relevant.

- **Deminimis Levels of Value**

Only those properties the value of which is considered likely to exceed the "deminimis" level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our External Certification Body, DNV Business Assurance UK Limited on an annual basis to achieve our ISO 9001:2015 accreditation.

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

INSURANCE COVER

Public Liability Insurance cover and Professional Indemnity Insurance cover is held to the amount of £10 million.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when final proof of the document is available, and the consent will refer to an annexed specimen and signed as identification of what has been approved.

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accepts no responsibility whatsoever to any other person.

VALUATION DEFINITIONS

Full definitions are outlined below:

Definition of Existing Use Value (EUV) – UK VPGA 6 Local authority and central government accounting: existing use value (EUV) basis of value

Valuations based on EUV should adopt the following definition:

‘The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'

1. Existing use value (EUV) is to be used only for valuing property that is owner-occupied by an entity for inclusion in financial statements. The definition of EUV is taken from the wording of the market value definition with one additional assumption and a further requirement to disregard certain matters. In practical terms, the definition of existing use value can be seen generally to accord with the conceptual framework of VPS 2, but with the following supplementary commentary:

2. '...the buyer is granted vacant possession ...'

The assumption that vacant possession would be provided on acquisition of all parts of the property occupied by the business or 'reporting entity' does not imply that the property would be empty, but simply that physical and legal possession would pass on completion. Any parts of the property occupied by third parties should be valued subject to those occupations. Properties occupied by employees, ex-employees, or their dependants should be valued with regard to the circumstances of their occupation, including any statutory protection. This assumption also means that it is not appropriate to reflect any possible increase in value due to special investment or financial transactions (such as sale and leaseback), which would leave the owner with a different interest from the one that is to be valued. In particular the covenant of the owner-occupier must be ignored.

3. '...of all parts of the property required by the business ...'

If parts of the property are unused and are surplus to the operational requirements of the business, their treatment will depend on whether they can be sold or leased separately at the valuation date. If they can be occupied separately, they should be allocated to a separate category as surplus property and valued on the basis of market value. If separate occupation is not possible, any surplus parts would have no more than a nominal EUV, as they would contribute nothing to the service potential of the property and would not feature in a replacement at least cost.

4. '...disregarding potential alternative uses ...'

'Existing use', in the context of EUV, means that the valuer should disregard uses that would drive the value above that needed to replace the service potential of the property. An entity seeking to replace this potential at least cost will not buy a property if its value has been inflated by bids from other potential occupiers for whom the property has greater value because of alternative uses or development potential that are irrelevant to its own requirements.

The valuer should therefore ignore any element of 'hope value' for alternative uses that could prove more valuable. However, it would be appropriate to take into account any value attributable to the possibility of extensions or further buildings on undeveloped land, or redevelopment or refurbishment of existing buildings, providing that these would be required and occupied by the entity, and that such construction could be undertaken legally and without major interruption to the current operation.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

5. ‘...disregarding ... any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.’

There are circumstances where it may be appropriate for the valuer to ignore factors that would adversely affect the market value, but would not be characteristic of a replacement. Examples include:

- where an occupier is operating with a personal planning consent that could restrict the market in the event of the owner vacating
- where the occupier holds the property under a lease and there are lease covenants that impose constraints on assignment or alternative uses
- where a property is known to be contaminated, but the continued occupation for the existing use is not inhibited or adversely affected, provided there is no current duty to remedy such contamination during the continued occupation
- where an industrial complex is overdeveloped, and the extra buildings have either limited the market value or detracted from it, but would need to be replaced to fulfil the service potential to the business
- where the existing buildings are old and so have a limited market value, but would have a higher replacement cost to the business
- where the property is in an unusual location, or is oversized for its location, with the result that it would have a low market value, but where the cost of replacing the service potential would be significantly greater and
- where the market is composed solely of buy-to-let investors, but the valuer believes that the replacement cost (the price agreed between a willing vendor and willing owner-occupier purchaser) would be higher.

6. Any value attributable to goodwill should normally be ignored.

7. The fact that a large property may be in single occupation does not necessarily mean that it has to be valued on the assumption that only bids from other potential occupiers for the whole can be taken into account. If the property is one where a higher value would be generated by the potential to divide it into smaller units for the existing use, this should be reflected in the valuation.

8. Many market valuations are based on the existing planning use of the property, which often, but not invariably, generates the highest value. Such valuations have sometimes been described as ‘existing use valuations’. However, this is incorrect and they should properly be expressed as market values.

It is emphasised that EUV is only to be used when valuing property that is occupied by the owners of the interest being valued for the purpose of their business, for inclusion in financial statements.

Definition of Fair Value (VPS 2 Section 7)

7.1 Fair value (the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13) is:

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

- ‘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.’

7.2 The guidance in IFRS 13 includes an overview of the fair value measurement approach.

7.3 The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. It is thus sometimes described as a ‘mark to market’ approach. Indeed the references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of fair value is consistent with that of market value, and so there would ordinarily be no difference between them in terms of the valuation figure reported.

7.4 A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

7.5 Valuers undertaking valuations for inclusion in financial statements should familiarise themselves with the relevant requirements – see also VPGA 1.

Definition of Market Value (VPS 2 Section 4)

Market value is defined in IVS 104 paragraph 30.1 as:

- ‘the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’

4.1 Market value is a basis of value that is internationally recognised and has a long-established definition. It describes an exchange between parties that are unconnected and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible – fuller treatment of this particular premise of value can be found at section 140 of IVS 104.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

4.2 It ignores any price distortions caused by special value (an amount that reflects particular attributes of an asset that are only of value to a special purchaser) or marriage value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent (see below) applies similar criteria for estimating a recurring payment rather than a capital sum.

4.3 In applying market value, regard must also be had to the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date. The full conceptual framework for market value can be found at paragraph 30.2 of IVS 104.

4.4 Notwithstanding the disregard of special value, where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the asset in the future, the impact of that expectation is reflected in market value. Examples of where the expectation of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and
- the prospect of marriage value arising from merger with another property or asset, or interests within the same property or asset, at a future date

4.5 The impact on value arising by use of an assumption or special assumption should not be confused with the additional value that might be attributed to an asset by a special purchaser.

4.6 In some jurisdictions a basis of value described as ‘highest and best use’ is adopted and this may either be defined by statute or established by common practice in individual countries or states.

Definition of Depreciated Replacement Cost – DRC method of valuation for financial reporting, 1st Edition.

2.3 The DRC method is a form of cost approach that is defined in the RICS Valuation – Global Standards 2024 (RB Global) Glossary as:

‘The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.’

2.4 The DRC method is based on the economic theory of substitution. Like the other forms of valuation (market approach, income approach) this cost approach involves comparing the asset being valued with another.

However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

2.5 In order to assess the price that the potential buyer would bid for the actual asset, valuation depreciation adjustments have to be made to the gross replacement cost of the MEA to reflect the differences between it and the modern equivalent. These differences can reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset. Land required for the MEA will be separately assessed as described in section 7.

2.6 DRC method of valuation for financial reporting, 1st Edition discusses factors that may need to be taken into account in assessing both the cost of a modern equivalent asset and the valuation depreciation adjustments applied to the actual asset.

COMPANY INFORMATION

Company Information

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WHE Ref Number	WHE Check	Asset Reference	Address	Description	IFRS Categorisation	Valuation Method
8844/25001	8844/25001	B00501B/L	Dorewood House Comm Centr Dorewood Court	OAP Centres	Property, Plant & Equipment	DRC
8844/25002	8844/25002	B00502B/L	William Ghent House Wilfred Avenue Balderton	OAP Centres	Property, Plant & Equipment	DRC
8844/25003	8844/25003	B00503B/L	Manthorpe OAP Community Brandon Close Balderton	OAP Centres	Property, Plant & Equipment	DRC
8844/25004	8844/25004	B00504B/L	Green Valley Road Bilsthorpe OAP Day Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25005	8844/25005	B00502B/L	Burton Court Bilsthorpe OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25006	8844/25006	B00506B/L	Rookwood Close 8 Main Street Blidworth OAP	OAP Centres	Property, Plant & Equipment	DRC
8844/25007	8844/25007	B00507B/L	Eastfield Close Clipstone OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25008	8844/25008	B00508B/L	The Circle Clipstone OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25009	8844/25009	B00509B/L	Well Green House Main Street Coddington	OAP Centres	Property, Plant & Equipment	DRC
8844/25010	8844/25010	B00510B/L	William Bailey House Windsor Close Collingham	OAP Centres	Property, Plant & Equipment	DRC
8844/25011	8844/25011	B00511B/L	Abbey Road Edwinstowe OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25012	8844/25012	B00512B/L	Lynds Close Edwinstowe OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25013	8844/25013	B00513B/L	Trent House California Road Farndon OAP Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25014	8844/25014	B00514B/L	The Leys Lowdham OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25015	8844/25015	B00515B/L	Knights Court OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25016	8844/25016	B00516B/L	Beaumont Walk Strawberry Hall Lane OAP Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25017	8844/25017	B00517B/L	Cleveland Square OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25018	8844/25018	B00518B/L	Barnbygate OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25019	8844/25019	B00519B/L	Howes Court 7 New Street OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25020	8844/25020	B00520B/L	Ambleside Ollerton OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25021	8844/25021	B00521B/L	De Lacy Court Ollerton OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25022	8844/25022	B00522B/L	Coopers Rise Rainworth OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25023	8844/25023	B00523B/L	Cambridge Close Rainworth OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25024	8844/25024	B00524B/L	Thoresby Road Rainworth OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25025	8844/25025	B00525B/L	Burgage Close Southwell OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25026	8844/25026	B00526B/L	Kings Court Southwell OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25027	8844/25027	B00527B/L	Coghill Court Southwell OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25028	8844/25028	B00528B/L	Snell Court Sutton on Trent OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25029	8844/25029	B00529B/L	Maypole Court Wellow OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25030	8844/25030	B00530B/L	Vale View Grange Road OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC
8844/25031	8844/25031	B00600B/L	Wellow Green Hostel - 10 units, NG22 0EH	Other Building	Property, Plant & Equipment	EUV
8844/25032	8844/25032	B00602B/L	Alms Houses 79 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25033	8844/25033	B00603B/L	Alms Houses 81 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25034	8844/25034	B00604B/L	Alms Houses 83 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25035	8844/25035	B00605B/L	Alms Houses 85 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25036	8844/25036	B00606B/L	Alms Houses 87 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25037	8844/25037	B00607B/L	Alms Houses 89 Northgate, Newark, NG24 1HD	Houses	Property, Plant & Equipment	EUV
8844/25038	8844/25038	B00314	Newark Lorry Park, NG24 1BL	Lorry Park	Property, Plant & Equipment	EUV



Valuation Report

IN RESPECT OF VALUATION OF PROPERTY ASSETS
WITHIN THE HOUSING REVENUE ACCOUNT

NEWARK & SHERWOOD DISTRICT COUNCIL

2025/26 FINANCIAL PERIOD

Issued On: 14/04/2026

Valuation Date: 31/03/2026

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London,
WC1A 1BS

WH&E WILKS
HEAD
& EVE
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AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to Housing Revenue Account (HRA) portfolio valuations carried out for the Authority for accounting purposes for the 2025/26 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The valuation of property assets held in the HRA is required by the Local Government and Housing Act 1989 Section 74.

Relevant guidance for valuation of Local Authority Housing Stock is confirmed in a publication issued by the DCLG entitled '**Stock Valuation for Resource Accounting Guidance for 2016**'.

Therefore, we have re-valued the stock portfolio by adopting this methodology, notably to include the current Vacant Possession Adjustment Factor.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the DCLG guidance, CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

SECTION ONE - INTRODUCTION

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

Our draft valuation results were forwarded to the Authority in advance of the final report, and this allowed a review process between the Authority and the Valuer to take place.

VALUATION STATEMENT

We are of the opinion that as at VALUATION DATE, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

- Beacon Sample - Vacant Possession
- £Draft
- XXX

- Beacon Sample - EUV-SH
- £Draft
- XXX

- Assets Held for Sale Properties
- £Draft
- XXX

We understand that the Council has used our valuation figures to extrapolate over the full portfolio and the resulting EUV value as at 31st March 2026 is:

- £Draft
- XXX

In addition, we understand that the EUV-SH value for the portfolio as at 31st March 2026 is:

- £Draft
- XXX

It is important to note that the above values reflect the total gross value of the properties selected for revaluation by the Authority and may not represent the full values of the overall portfolio(s).

All prices or values are stated in pounds sterling.

As mentioned above the individual Gross, Residual and Depreciable values are included and provided electronically in excel format and should be read in conjunction with this report.

These excel documents are appendices to the report.

SECTION ONE - INTRODUCTION

These individual sheets and summary also include our opinion of Weighted Average Remaining Useful Life.

We certify that this valuation report fulfils the requirements of the RICS and in terms of the application of IFRS Code for your revenue accounting purposes.



M S Aldis BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer



reviewed by A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- M S Aldis BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer

The report was subject to the internal audit by the in-house RICS qualified Partners.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1 and PS2.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark & Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over-familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark & Sherwood District Council to the total income of Wilks Head & Eve LLP would be considered minimal (i.e., less than 5%).

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

- Newark & Sherwood District Council
- Council Offices, Castle House, Great N Rd, Newark-on-Trent, Newark, NG24 1BY
- Jenna Norton

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities housing revenue account portfolio and are listed in full within the separately appended excel document(s).

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

DATE OF VALUATION

Further to instructions from the client, we have agreed to report the valuations at the following valuation date:

- 31st March 2026

EXTENT OF INVESTIGATION

Further to the instructions from the Authority this report has been completed on a desktop basis.

Whilst completed on a desktop basis we are content that the information made available to us and our separate investigations have allowed us to complete valuations that are professionally adequate for the purpose.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then they could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

VALUATION BACKGROUND

Local Authorities are under a statutory duty to account separately for their housing stock and this information is of value not only to Local Authorities but also to a wide range of potential readers of the accounts, both inside and outside central government. The fact that stock valuations appear in the housing revenue accounts ensures that authorities decisions on resource allocation make resource cost apparent. It is essential that all valuations carried out for the purpose of resource accounting are on a consistent basis.

Following the adoption of IFRS 13 by the UK public sector, from 1st April 2015, the basis of valuation for accounting purposes will be Current Value (CV) measured by the adoption of the special assumption of EUV-SH.

The valuations will be subject to annual reviews and full revaluations. Revaluations may be carried out on a rolling programme, covering different parts of the stock each year, or every five years for the whole stock.

The aim of resource accounts in the housing revenue account is to put local authority housing on a business-like footing and to ensure that accounts give a "true and fair view of" the financial position and transactions of the authority. To this end the Valuer has had regard to:

- IFRS (incorporating IFRS 13)
- The CIPFA Code

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

- The Red Book.

Departures from these standards have been adopted to ensure the objectives are met and details of these variations as they affect the valuation of the property are referred to where appropriate.

Valuations have been carried out in accordance with the Red Book except where they are varied by this guidance to reflect the current policy requirements DCLG.

The beacon method is relatively easily implemented being based upon the market valuation of residential dwellings.

The beacon method is used for no other purpose except the special circumstances of the housing revenue account valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to large numbers of dwellings comprising a local authority's housing.

PROPERTY CLASSIFICATION

Asset valuations are required for all properties held in the HRA. Section 74 of the Local Government and Housing Act 1989 requires that expenditure and income relating to property specified in that section should be accounted for in the HRA. Guidance on the types of property is given in DoE circular 8/95. If we consider that a property is being wrongly held in the housing revenue account, the matter has been raised with the chief finance officer.

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2025/26.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued December 2024 and effective 31 January 2025) and the RICS Valuation – Global Standards: UK National Supplement 2023 edition (issued October 2023 and effective from 1 May 2024)
- Department for Communities and Local Government (DCLG) - Stock Valuation for Resource Accounting – Guidance for Valuers – 2016. This sets out the terms of reference and basis of valuation for valuations of this type.

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards: UK National Supplement 2023 edition – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Property, plant, and equipment, which would be expected to include most residential housing stock assets, is measured at Current Value using the EUV-SH assumption, as defined in UK VPGA 7 and guidance in the Code and DCLG guidance.

The valuation basis for non-housing property which is used or consumed for the delivery of the housing function, e.g., estate shops, is Current Value for the asset in Existing Use – this requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with UK VPGA 6, the RICS Professional Statement ‘Existing Use Value (EUV) valuations for UK public sector financial statements’ 1st Edition and guidance in the Code and DCLG guidance.

These valuation bases represent the service potential of the assets to an Authority and in the case of EUV-SH the delivery of the social housing provider’s objectives.

Full definitions of EUV, EUV-SH, DRC, FV and CV are defined by the RICS in ‘The Standards’.

Except in the case of properties held for sale, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise at disposal.

VACANT POSSESSION ADJUSTMENT FACTOR

EUV-SH reflects a valuation for a property if it were sold; with sitting tenants enjoying occupation at less than open market rentals and Retail Price Index linked increases; where the tenants have additional rights including the Right to Buy, and where the landlord has additional liabilities including insurance, repair, maintenance, and statutory obligations. Therefore, it is necessary to adjust the Beacon Value to reach EUV-SH.

The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level. It is this discount which, when applied to the cumulative total of all beacon values, gives rise to the EUV-SH.

Although a preferred adjustment factor could be derived from a ratio of local authority rents to private sector rents, we have referred to those suggested in the DCLG guidance.

Adjustment Factors for England

Region	Adjustments Factors 2010	Adjustment Factors 2016
North-East	37%	44%
North Wales and Merseyside	35%	40%
Yorkshire and the Humber	31%	41%
East Midlands	34%	42%
West Midlands	34%	40%
Eastern	39%	38%
London	25%	25%
South-East	32%	33%

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

South-West	31%	35%
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Illustration

The adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. For example, if the vacant possession value of an estate in the West Midlands based on the beacon valuations is £500,000,000, the Existing Use Value – Social Housing is £200,000,000 (i.e., £500,000,000 x 40% = £200,000,000).

SHARED OWNERSHIP

Where the Authority owns a share of the interest in the property, the value of the equity share must be accounted for in the portfolio valuation. The approach is to value property based on the beacon value assumptions and calculate the appropriate equity share.

This share should then be adjusted to reflect the occupation at less than market rents by adopting the regional adjustment factor.

SECTION THREE – PROCESS AND METHODOLOGY

VALUATION CRITERIA

There is no prescriptive approach that authorities must adopt to ensure current values are used in the balance sheet. In this case the following approach has been adopted:

- A full revaluation every five years with desktop reviews in the other four years.

The review part of this process has:

- a) Updated the stock numbers to allow for disposals, acquisitions, and newly constructed dwellings.
- b) Accounted for material movements in value at the asset group level, including impairment.
- c) Captured major changes in value of significant asset groups resulting from major refurbishment schemes.
- d) Included properties which were originally classed as during development, but which were completed by the valuation date.

ANNUAL BEACON METHODOLOGY

To value the portfolio, it has been necessary to research several information sources. These include:

- Sales of directly comparable property which have taken place during the financial year leading up to the valuation date.
- Any changes of income flow for non-residential HRA property, valued by way of investment appraisal methods.
- Information available at a local level showing house price movement, such as Lands Registry, Leading Mortgage Lenders, and other records of sales in the locality.
- Regional and National Indices which show general trends that could be used as a basis for the change in value of the portfolio.

Our valuation has taken place at the asset group and archetype level. Each beacon has been re-inspected and reviewed in the light of the valuation evidence that has become available, together with the investment and refurbishment information where this has been made available.

We have considered impairment at this level and in particular “Trigger Events” which may have happened during the year. Wherever possible we have included these factors, if appropriate, in our explanatory notes on impairment.

VALUATION APPROACH

WH&E have adopted the Beacon approach when valuing the housing stock.

The Authority has considered the selection of distinct Asset Groups within the housing area. These Asset Groups are chosen to reflect the areas in which individual value markets operate. The Authority

SECTION THREE – PROCESS AND METHODOLOGY

considers that it is appropriate to consider a series of distinct Asset Groups for valuation purposes. We have verified that this approach is realistic, and no further changes have been necessary.

The beacon adopted for each of the property types has assumed vacant possession. In addition, we have been able to rely on information provided as to the property assets in each group and the variations in terms of accommodation, improvements, and modernisation in each case.

ASSET GROUP AND ARCHETYPE DETERMINATION

Even though this document only comprises a revaluation of the portfolio, a simple reference to the valuation methodology required by the DCLG guidelines may be helpful here. It is important that the results of this report are set in the context of these valuation principles.

The approach considers whether the whole portfolio of residential housing stock within the Council's ownership, should be dealt with as a single or multiple Asset Groupings.

In this case, the Housing Department have been very thorough and methodical and have concluded that multiple "Asset Groups" are necessary. This is logical and reflects the local characteristics, on both a geographical and valuation level.

We have also considered if the existing asset groups and archetypes still apply. Wherever appropriate we will have raised this fundamental change with your Authority at officer level prior to reporting and will have revalued on the agreed and revised basis.

The valuation methodology then requires the Valuer to consider each different type of property within this "Asset Group". Similar properties are subdivided from the "Asset Group" to form "Archetypes". In some cases, the subdivision may be to a very specific level. In this case the divisions are based on the way the Authority defines its portfolio for operational and allocation purposes.

For each of the archetype groups, we have valued a "beacon" property as a representative example of that property type and used this as the sample with which to value the Archetype group, with additions or subtractions for each individual property, depending on the information available to us.

VALUATION COMMENTARY

Our valuation has complied with the relevant guidance notes in all respects; however, we believe that a few specific value-sensitive issues ought to be brought to your attention as notes within this report.

We briefly summarise these areas below:

- It has been made aware to us that in other Housing Revenue Accounts, certain stock, particularly in multi-story accommodation or where common access ways or facilities bound or form part of the structure of assets held by the HRA that where inadvertent, or indeed notified, breaches of covenants, or variation in use or changes to originally specified finishes, fittings or other equipment broke particular fire, health and safety or other statutory

SECTION THREE – PROCESS AND METHODOLOGY

regulations, that this may well have an extremely significant effect on value and indeed on a practical level continued habitation of residential accommodation in the short and longer terms.

- In this case, as independent external Valuers, we have not been notified of any such breach, and our inspections did not constitute a survey for such breaches. The information on housing stock within the Housing Revenue Account contained certain designations as to property type. As independent external Valuers we have applied our beacon valuation approach to those categorisations and have not sought to extend or sub-divide these property types into further categories in any way.
- This includes external cladding and other similar fittings – we have not been notified of any such issues affecting the portfolio and therefore have worked on the assumption that none are present. The presence of these factors may have a significant effect on value.
- You will be aware that the “Vacant Possession Adjustment Factor” may not have been applied to the whole of your asset stock. Often the residents of sheltered accommodation do not enjoy the same level of tenure, renewal rights or, indeed have “Right to Buy” qualification.

These issues have been agreed with the Authority, and our valuation report reflects these assumptions.

IMPAIRMENT

Impairment occurs because something has happened to the fixed assets themselves or to the economic environment in which the fixed assets are operated.

This may include:-

- (a) a significant decline in the demand for social housing;
- (b) evidence of obsolescence or physical damage to the asset;
- (c) an adverse change in the statutory or regulatory environment in which the Authority operates;
- (d) a commitment to significant housing re-organisation by the Authority;

MARKET UNCERTAINTY

We are in a period of general uncertainty in relation to many economic factors that impact the property markets.

The following areas are relevant for these purposes:

- Global and National inflationary pressures, higher interest rates and currency movements.
 - These factors can lead to great volatility in property markets. Consumer and investor behaviour is sensitive to these volatility issues.
- The Russian invasion of Ukraine.

SECTION THREE – PROCESS AND METHODOLOGY

- This is an ongoing situation with potential wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the invasion although we will continue to monitor as the crisis continues.
- The Conflict in the Middle East..
 - This brings instability to the middle eastern region. This is an ongoing situation which has wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the conflict, we will continue to monitor as the crisis continues.

With reference to the above the probability of our opinion of value exactly coinciding with the price achieved, in the case of a sale, has reduced.

Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

For the avoidance of doubt, however, our report is not reported as being subject to 'material valuation uncertainty' as defined by VPGA 10 of the RICS Valuation – Global Standards.

COMPONENTISATION

The fundamental objective of depreciation is to reflect, in the revenue account, the cost of using the assets i.e., in this case, the amount consumed in providing the service of social housing. This cost of use includes wearing out, using up or other reduction in the economic life of a tangible fixed asset. This may arise through use, the passage of time or obsolescence or through changes in technology or demand for the goods and services produced by the asset.

In accordance with the Code of Practice on Local Authority Accounting, depreciation should be provided for all fixed assets with a finite useful life. Subsequent expenditure that maintains or enhances the previously assessed standard of performance of an asset does not negate the need for depreciation. Enhancements will also depreciate and their consumption overtime should be reflected in the revenue account.

Since the adoption of IFRS in 2010 component accounting should be applied, and this approach should apply to accounting within the Housing Revenue Account as far as possible.

IAS 16 paragraphs 43-47 require that each part of an item of PP&E with a cost that is significant in relation to the total cost of the item, and with a significantly different useful economic life, should be depreciated separately, but those with the same useful lives and depreciation methods may be grouped for depreciation purposes.

In deciding the degree to which a structure should be broken down into its component parts for depreciation purposes, the matter of materiality, i.e., the extent to which additional componentisation will impact on the actual depreciation charge, needs to be considered. If the impact is minimal then

SECTION THREE – PROCESS AND METHODOLOGY

the extra work involved in breaking down the structure into 10 or 20 component parts is unlikely to be justified. The Department's view, in discussion with CIPFA, is that it should be possible for a pragmatic approach to be taken. CIPFA have issued LAAP Bulletin 86 Componentisation of Property, Plant and Equipment, June 2010 with a further update in February 2015.

The Department for Communities and Local Government does not envisage that this need be an onerous task and expects that for non-specialised buildings minimal componentisation should be required. However, it is for the individual local authority to decide what its material components are. Traditionally (i.e., pre-International Financial Reporting Standards UKGAAP) the minimum requirement has been for the building itself.

In this case, and further to discussions with the Authority, we have not provided any componentisation information for the authority as part of this exercise.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2026.

These circumstances may include material changes and new acquisitions and if required it would be reported separately to this report.

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain and reasonable additional explanations and assistance to the Authority where the process will be subject to audit.

SECTION FOUR – VALUATION ASSUMPTIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

VALUATION ASSUMPTIONS

The accuracy of the beacon valuation together with the choice of beacon is a major factor governing the quality of the overall housing stock asset valuation.

The beacon valuations assume that the property is vacant and that the current future use is for residential accommodation, with no potential residential redevelopment of the site, or intensification of use because of possible sub-division or extension of the property. No account is taken of any other alternative development potential that may include demolition and merging of sites.

These assumptions have been adopted to ensure that all the beacon valuations are prepared on a consistent basis. The beacon valuations are, in most cases, applied to council housing stock which for the foreseeable future will remain as council housing with no requirement for demolition and redevelopment. To include elements of 'Hope Value' attributable to the possibility of redevelopment of the existing buildings within the existing planning use would include elements of value inappropriate to the groups of property valued by the beacon.

Situations where it is inappropriate to assume that the property will remain tenanted for the foreseeable future are dealt with separately. These situations may arise in areas of low demand and unpopular housing.

The assumptions to make in preparing the beacon valuation are set out below. EUV as defined in the Red Book at UK VPGA 6 provides the basic assumptions for the beacon valuation but with additional assumptions to meet the needs of a local authority housing stock asset valuation.

EUV-SH is the estimated amount for which a property should exchange, in the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

- (a) At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to an organisation intending to manage their housing stock in accordance with the regulatory body's requirements.
- (b) Properties temporarily vacant pending re-letting would be valued, if there is letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and.

SECTION FOUR – VALUATION ASSUMPTIONS

- (c) Any subsequent sale would be subject to all the above special assumptions.

For leasehold properties IFRS introduced significant changes to the treatment of leased assets for capital accounting purposes. Currently the standard adopted is IFRS 16.

In summary most 'leased-in' assets held by the Authority should be recognised on the balance sheet.

Where appropriate they are to be valued as a 'Right-of-Use' (ROU) asset, which is the value of a lessee's right to use an underlying asset for the lease term.

OTHER ASSUMPTIONS

- Planning Proposals
 - We have not made formal written enquiries to the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to influence the value of the properties unless these were specifically notified to us.
- Construction and State of Repair
 - Structural / Condition surveys have not been undertaken of the properties, nor have the service installations been tested.
 - We have not carried out a structural survey, nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
 - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
 - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on assets.
- Hazardous or Deleterious Materials
 - We have not arranged for any investigation to be carried out to determine whether, or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report, we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.
- Contaminated Land

SECTION FOUR – VALUATION ASSUMPTIONS

- We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property, and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.
- Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
 - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated in the relevant Valuation Statement.
- Lotting
 - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
 - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).
- Acquisition and Disposal Costs
 - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.
 - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on an acquisition or disposal respectively.
 - The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

SECTION FOUR – VALUATION ASSUMPTIONS

- The Valuer has not been asked by the client to specifically reflect these costs separately.
- Guidance on this matter is provided within UK VPGA 1 Paragraph 1.6 - Costs to be excluded of the Red Book:
 - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.
 - In determining the figure to enter the balance sheet (the 'carrying amount'), IAS16 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.
 - IAS16 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees. The Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a direct attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.
 - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonably anticipated.
- Energy Performance Certificates
 - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
 - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating between A and G.

SECTION FOUR – VALUATION ASSUMPTIONS

- Since 26th March 2015 the minimum energy efficiency standard (MEES) has been introduced.
- This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
- From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then as of 1st April 2023 non-domestic properties too.
- Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
- For residential, under current government proposals, in 2025 this will be upgraded to a requirement for the rating to be C or higher for any new lettings, and in 2028 it will also apply to any continuing tenancies.
- For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.
- Sustainability
 - We consider sustainability and environmental issues as part of the valuation process.
 - This includes the guidance outlined within the RICS guidance note 'Sustainability and ESG in commercial property valuation and strategic advice 3rd Edition - December 2021' which is effective from 31st January 2022 in addition to VPGA8 section 3 – Sustainability and environmental, social and governance (ESG) matters in the RICS Global Standards December 2024.
 - The role of the Valuer is to assess and report value in light of the evidence obtained.
 - The Red Book Global Standards VPGA 8 section 3.7.3 states:
 - *'While Valuers should reflect markets, not lead them, they should be aware of sustainability features and the implications these could have on property values in the short, medium and longer term.'*
 - From a valuation perspective we therefore recognise that Sustainability has an impact on the value of an asset implicitly and/or explicitly and where relevant/possible these have been reflected in the valuations completed.
 - We can also confirm that we have considered the Environmental, Social and Governance factors outlined within VPGA 8 Section 3 where relevant and appropriate for this valuation instruction and report.
 - This includes consideration for environmental impacts on value which may include reports provided by third parties who specialise in these fields covering flood risks, contamination and costings in relation to regulatory energy efficiencies and decarbonisation requirements.

SECTION FOUR – VALUATION ASSUMPTIONS

- Examples of non-environmental considerations for ESG include location, mobility and connectivity. These typically reflect the overall quality and useability of an asset, which are considered when valuing property assets.
 - Social value considerations are often a specialist area within the planning, development and repurposing of real property interests. As valuers we discuss matters with the client on appropriate property assets. Design, land use, accessibility, community impact, legislation and adaptability are matters that are considered
 - We are generally reliant on our clients to provide us with this information where relevant.
- Deminimis Levels of Value
 - Only those properties the value of which is considered likely to exceed the “deminimis” level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our External Certification Body, DNV Business Assurance UK Limited, on an annual basis to achieve our ISO 9001:2015 accreditation.

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

INSURANCE COVER

Public Liability Insurance cover and Professional Indemnity Insurance cover is held to the amount of £10 million.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when final proof of the document is available, and the consent will refer to an annexed specimen and signed as identification of what has been approved.

SECTION FOUR – VALUATION ASSUMPTIONS

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accepts no responsibility whatsoever to any other person.

COMPANY INFORMATION

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Report to: Audit & Accounts Committee Meeting 22 April 2026
 Director or Business Manager Lead: Nick Wilson, Business Manager Financial Services
 Lead Officer: Andrew Snape, Assistant Business Manager Financial Services, ext 5523

Report Summary	
Report Title	<i>UNDERLYING PENSION ASSUMPTIONS FOR 2025/2026 STATEMENT OF ACCOUNTS</i>
Purpose of Report	<i>To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2025/2026 Statement of Accounts.</i>
Recommendations	<i>Members note and approve the assumptions used in the calculation of pension figures for 2025/2026.</i>

1.0 Background

- 1.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts.
- 1.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.
- 1.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.
- 1.4 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.
- 1.5 A formal actuarial valuation is carried out every three years, the last being as at 31 March 2025. The purpose of the valuation is to review the financial position of the Fund

and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2026 to 31 March 2029 as required under Regulation 62 of the Regulations.

- 1.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

2.0 Financial Assumptions

	2025/2026	2024/2025
Discount Rate (30years) This allows for the effect of inflation on the liabilities in the scheme.	6.40%	6.00%
Pension Increase Rate (20 years) Public sector pension increases are linked to the Consumer Prices Index (CPI).	2.80%	3.00%

Based on market conditions at 31 March 2026, most employers will see the value of their defined benefit obligation decrease. However, the extent of this will depend on employer's membership profile, cashflows over the year and any bespoke assumptions or approaches.

3.0 Demographic Assumptions

The standard approach taken by the actuary for the key demographic assumption of mortality assumption is to 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.

Other Demographic Assumptions;

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

4.0 Impact in Financial Statements

Assumption	Movement	Impact
Price Inflation	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Pension Increase Rate	Decrease	Decrease in liabilities
	Increase	Increase in liabilities
Salary Increase Rate	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Discount Rate	Decrease	Reduction in liabilities
	Increase	Increase in liabilities

Attached at **Appendix A** is the full employer briefing note pre-accounting date as received from the pension fund. Also attached at **Appendix B** is a useful accounting Glossary and FAQs.

5.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Implications Considered			
Yes – relevant and included / NA – not applicable			
Financial	NA	Equality & Diversity	NA
Human Resources	NA	Human Rights	NA
Legal	NA	Data Protection	NA
Digital & Cyber Security	NA	Safeguarding	NA
Sustainability	NA	Crime & Disorder	NA
LGR	NA	Tenant Consultation	NA

Background Papers and Published Documents

Nil



BARNETT
WADDINGHAM

Part of **HOWDEN**

Accounting reporting as at

31 March 2026

Employer briefing note post-accounting date

Barnett Waddingham LLP

9 April 2026



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Introduction and executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2026 accounting exercise. This document is based on market conditions as at 31 March 2026. 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 2026 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 2025. For employers whose previous accounting date was not 31 March 2025, this briefing note provides a summary of our recommended assumptions for 31 March 2026 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. FRS102 reports issued by Barnett Waddingham with a reporting date on or after 1 January 2026 will meet the new FRS102 standard.

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](#).

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		Actual returns will vary considerably between different LGPS funds. However, on average we might expect assets to have returned in excess of 14% in the 12 months to March. As this is significantly in excess of the assumed return this will improve the balance sheet position.
Discount rate		Discount rates have increased which will improve the balance sheet position.
Inflation		Future inflation assumptions have remained broadly unchanged since the previous accounting date.
Allowance for inflation experience		CPI inflation observed between March 2025 and March 2026 is expected to be higher than the rate of CPI inflation assumed over the same period. Please note that actual CPI inflation for March 2026 is not known yet.
Mortality		The mortality assumption will be updated in line with the assumptions used as part of the 2025 full actuarial valuation (for E&W only). This will include an update to CMI 2025 which was released in March 2026 unless an employer explicitly opts out. We expect for most employers, average life expectancies will improve slightly which would lead to a worsening to the balance sheet position. However, this may vary between LGPS fund.
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 15 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.

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 in excess of 14% for the period from 31 March 2025 to 31 March 2026. 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.



If the actual asset return for the Fund over the year is higher than the previous discount rate, this will result in 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 notional 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.

For employers in England & Wales reporting at 31 March 2026, we expect to make an allowance for the results of the 31 March 2025 full valuation of the relevant LGPS fund. The results of the 2025 valuation are expected to be finalised on or before 31 March 2026. Where an allowance for the results of the valuation are made, there will be an experience item included in the reconciliation of the assets which captures any differences between the assets in the previous accounting report (rolled forward from the 2022 valuation results) and the actual 31 March 2025 assets from the new full valuation. Further details are set out in our [FAQs](#) document.

Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2026, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. For employers in England & Wales, this will involve an update this year to be based on the 2025 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 2026 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2026 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.

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 March 2026.

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).

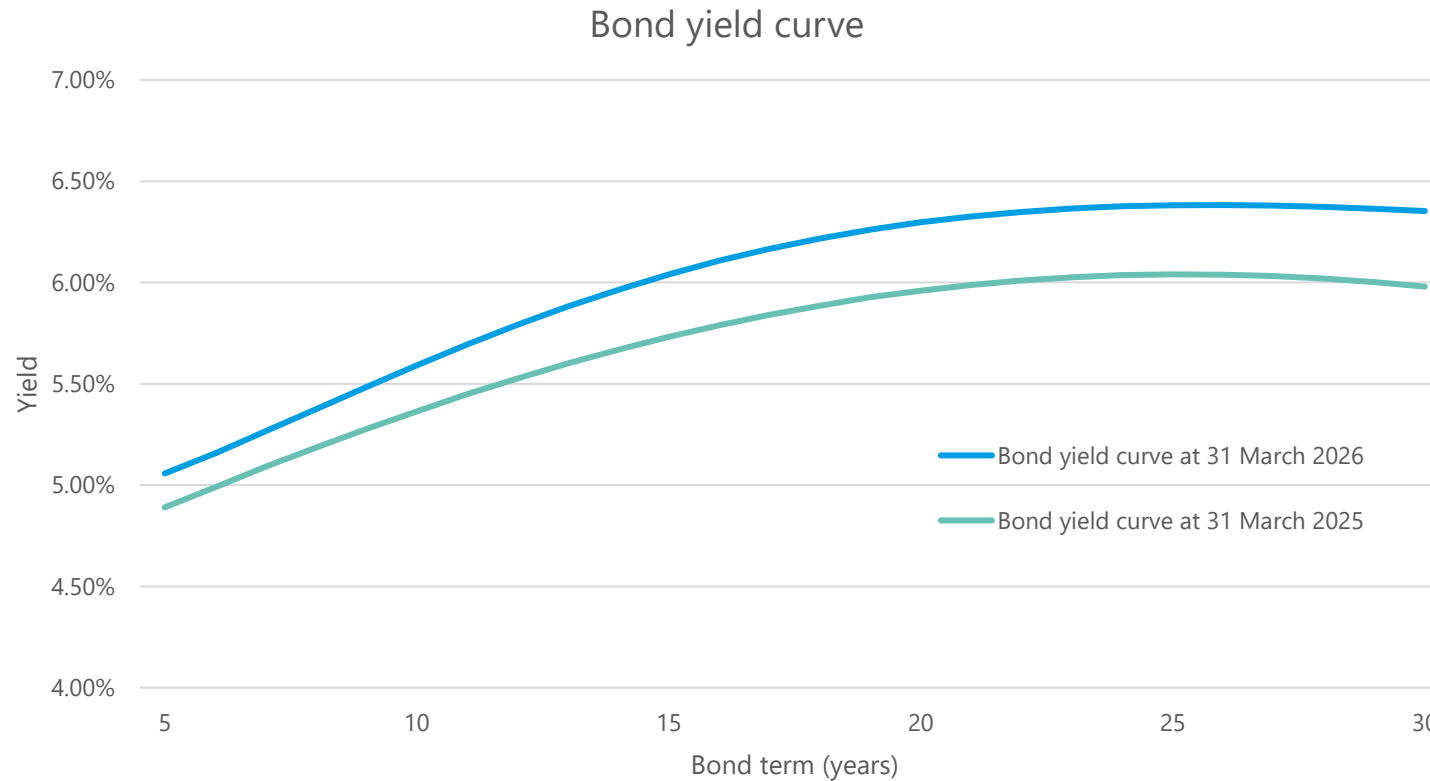
These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample 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 March 2026:



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 March 2026 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

Maturity	Discount rate		Estimated impact of change on liabilities
	31 March 2026	31 March 2025	
Very Mature	5.35% to 5.90%	5.15% to 5.60%	Decrease of 1% to 3%
Mature	5.90% to 6.20%	5.60% to 5.85%	Decrease of 3% to 7%
Immature	6.20% to 6.30%	5.85% to 5.95%	Decrease of 7% to 10%

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.

Our view remains that gilt-implied inflation rates are distorted by supply and demand factors. We allow for an IRP of 0.30% p.a. as a fixed deduction to the BoE implied inflation curve. This is a slight change from our approach at 31 March 2025, where we allowed for an IRP which varied by the term of the employer's liabilities, with the resulting assumption falling between 0.00% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years). The update is a refinement to the pension increase assumption to reflect a slight change to our house view of best-estimate inflation.

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 March 2026, with the equivalent 31 March 2025 SEIRs (based on our standard derivation at that time) also shown for comparison:

Maturity	RPI Inflation	
	31 March 2026	31 March 2025
Very Mature	3.35% to 3.60%	3.35% to 3.70%
Mature	3.30% to 3.35%	3.10% to 3.35%
Immature	3.25% to 3.30%	3.05% to 3.10%

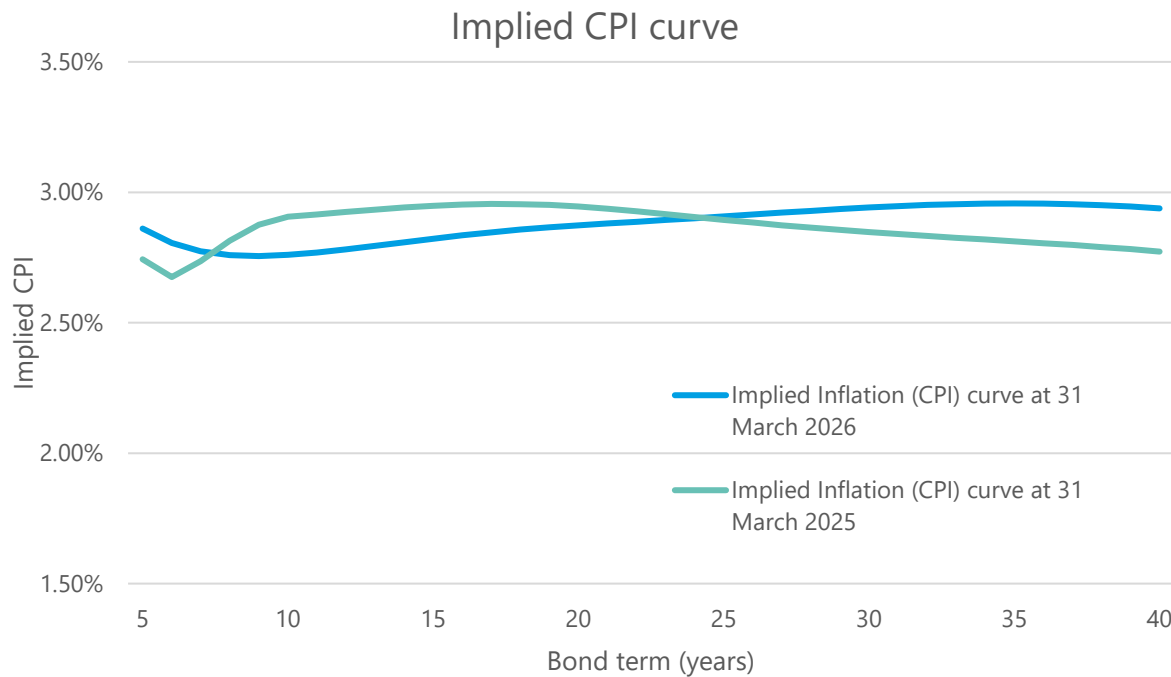
Difference between RPI and CPI

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. After the 2030 date, CPIH will become the index which is used. We recognise that CPIH inflation is, over the longer term, expected to exceed the rate of CPI inflation in the UK. We have therefore assumed a gap of 0.2% between market-implied inflation from the Bank of England inflation curve and CPI for the post-2030 period. This results in an assumed gap between the two inflation measures of between 0.35% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years). This has been updated from our assumption at 31 March 2025, where we took the post-2030 market implied inflation as our CPI assumption, to reflect our latest views of long-term inflation expectations, informed by recent market developments and evolving economic insights.

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 March 2026 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 March 2026 is lower than as at 31 March 2025 at shorter terms higher at longer terms. As a result, the assumed level of future pension increases will be lower than assumed at the previous accounting date.

Source: Barnett Waddingham based on Bank of England data

Changes in the inflation assumption will affect employers differently depending on their maturity. Overall, we expect the impact to the balance sheet for a typical employer to be minimal in respect of the changes to future inflation expectations.

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:

Maturity	CPI inflation		Estimated impact of change on liabilities
	31 March 2026	31 March 2025	
Very Mature	2.85% to 2.90%	2.90% to 3.00%	Decrease of 0% to 1%
Mature	2.85% to 2.90%	2.85% to 2.95%	Decrease of 0% to 1%
Immature	2.90% to 2.95%	2.85% to 2.90%	Decrease of 1% to Increase of over 3%

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

This approach is the same as at the previous accounting date, with the exception of the derivation of CPI inflation from the Bank of England implied inflation yield curve as described earlier.

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.

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 March 2026 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 7%
Immature	Decrease of 7% to 9%

Based on market conditions at 31 March 2026, employers will see the value of their defined benefit obligation decrease due to an increase to corporate bond yields since the previous accounting date. However, the extent of this will depend on the employer’s membership profile, cashflows over the year, experience and any bespoke assumptions or approaches.

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, our standard approach is to update the mortality assumption to be based on those adopted for the fund's 2025 actuarial valuation.

For employers participating in a Scottish LGPS Fund, the next actuarial valuation of the Fund is as at 31 March 2026, with results and reports due to be finalised by 31 March 2027. Our standard approach for the 31 March 2026 disclosures is to continue using the fund's base table mortality assumption from the 2023 actuarial valuation.

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.

For employers participating in an English or Welsh LGPS fund, the mortality assumption will be updated to align with the recent 2025 actuarial valuation assumption – CMI 2024. Our default approach to preparing 31 March 2026 accounting reports is to incorporate the most up-to-date information which is readily available which is the CMI 2025 model released in March 2026.

For employers participating in a Scottish LGPS Fund, our default approach to preparing 31 March 2026 accounting reports is also to incorporate the most up-to-date information which is readily available. This means our default approach will be to update the improvements assumption to use either the CMI 2025 model similar to the English and Welsh exercise.

When comparing CMI 2025 to CMI 2024 (the model used at the 2025 valuation), generally employers should expect to see a small increase to average life expectancies of their LGPS members and a worsening to the accounting balance sheet position.

However, please note that the overall impact of updating the mortality assumptions compared to the previous year will differ from Fund to Fund due to the bespoke nature of the mortality assumptions used for the 2025 valuation.

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 for both Scotland and England & Wales.

Additional requirements

Experience items allowed for since the previous accounting date

Full valuation update

For employers in England & Wales reporting at 31 March 2026, we expect to make an allowance for the results of the 31 March 2025 full valuation of the relevant LGPS fund. The results of the 2025 valuation are expected to be finalised on or before 31 March 2026. This update ensures the accounting results are based on the latest information available. The impact of this update will result in experience items on the liabilities and the assets and could be a positive or negative effect. The experience item reflects how experience over the intervaluation period has differed from that assumed as part of the roll forward approach.

For employers in Scotland, the next triennial valuation date is 31 March 2026. The results of the 2026 valuation will not be finalised at the time which 31 March 2026 accounting reports are prepared. The statutory deadline for completion of the 2026 valuation is 31 March 2027, 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 2025 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 2025 pension increase was made when preparing their 2025 year-end accounting balance position. In addition, we would have allowed for actual ONS CPI inflation experience from September 2024 (the month that determines the 2024 pension increase order) to 31 March 2025, or the most recent available data at the time the 2024 year-end report was prepared.

The inflation experience to 31 March 2026 will allow for ONS CPI inflation observed over the year to 31 March 2026, or based on the latest data available when the report is prepared.



The CPI inflation observed from last time's accounting date up to 31 March 2026 is expected to be higher than the long-term rate of inflation assumed last year, which will worsen an employer's balance sheet position. Please note that this briefing note has been prepared before final ONS CPI data has been published, and employers who have requested earlier reports to be prepared may see a balance sheet gain if their experience has been calculated to February 2026.

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 2026 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2026 and also on the Profit and Loss projections for the year to 31 March 2027. 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. More information on our approach to asset ceiling calculations can be found [here](#).

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 considered part of any economic benefit when assessing whether an accounting asset can be recognised. We recognise that the primary rate, used to set employer contributions, itself makes an allowance for administration expenses.
- 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.

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. For employers in English or Welsh funds, where the unfunded benefits are included as part of the latest actuarial valuation data, the unfunded liability roll forward will be updated to be based on the fund's 2025 valuation. Where separate unfunded benefits are included in an employer's accounts, we will be in touch separately about the approach required.

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

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.

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

Prompted by the Goodwin case, the UK Government launched the Access and Fairness consultation on 15 May 2025 which closed on 7 August 2025. Draft LGPS regulation amendments have been published following the consultation, details of which can be found [here](#). A summary of the outcomes from the consultation can be found [here](#).

The Goodwin case highlighted discriminatory practices in survivor pensions for same-sex spouses and civil partners, and as such the government proposes amendments to align LGPS regulations with principles of equality. The Goodwin ruling identified that male survivors of members in same-sex relationships received less favourable pension benefits compared to their counterparts in opposite-sex relationships, contravening equality laws. The draft amendments seek to eliminate disparities in survivor benefits, ensuring that all eligible survivors, regardless of the member's or survivor's sex or the nature of their relationship, receive equitable treatment. This includes standardising the calculation of survivor pensions and death grants to reflect a uniform approach, thereby addressing past discrimination and fostering inclusivity within the LGPS.

Employers may see an increase to their LGPS defined benefit obligations resulting from any backdated benefit awards to members. The value of these possible payments are uncertain, because of the historical nature of these benefit awards to members. We are not provided with data which will allow us to make an assessment of the cost of the Access and Fairness changes to the Scheme. The overall costs are not anticipated to be significant, and we therefore expect that any such awards will not be material to an average LGPS employer.

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).

For more details on the Virgin Media case, please see our in our [blog](#) on the original High Court Ruling.

September/October 2025 update

On 18 September 2025, the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements.

You can find the new clauses in the [Pensions Schemes Bill](#) (as amended in the Public Bill Committee), in clauses 100 to 103. This section states that it is applicable to public service schemes, so the proposal is that it will apply to the LGPS. The bill is expected to receive Royal Assent in 2026.

On 23 January 2026 the FRC published [technical guidance](#) for scheme actuaries to help them apply the retrospective-validation process under the Pension Schemes Bill.

LGPS considerations

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

Employers may wish to include a narrative disclosure in their accounts to reflect the current position as outlined above.

Further information on the audit considerations can be found in the ICAEW's help sheet from 13 February 2025 [here](#).

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.
Data risk	There is a risk that member, cashflow, or asset data provided to the actuary is inaccurate resulting in an inaccurate balance position.
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.



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FRS102/IAS19/IAS26 Glossary and FAQs

Barnett Waddingham LLP
28 March 2025



FRS102/IAS19/IAS26 Glossary and FAQs

The purpose of this note is to provide LGPS funds, fund employers and their advisers with some further explanatory details about the reports we produce in accordance with Financial Reporting Standard 102 (FRS102), International Accounting Standard 19 (IAS19) and International Accounting Standard 26 (IAS26).

It is divided into a [Glossary of terms](#) followed by some [Frequently asked questions \(FAQs\)](#). Where certain terms are explained in more detail in the glossary these are highlighted in **bold**.

If you have any questions please get in touch with the relevant LGPS fund in the first instance.

Background

This document complements a briefing note discussing assumptions and an indication of the likely trend in results issued as part of each accounting exercise. In contrast, this document describes the fundamentals of the accounting standards and is only expected to be updated occasionally (e.g. when the standards change).

Sponsors of defined benefit pension schemes are required to account for the cost of providing retirement benefits and reserve for any outstanding liabilities associated with the schemes they sponsor. They are also required to make certain disclosures about these schemes in the notes to their accounts.

FRS102, IAS19 and IAS26 are accounting standards that set out the accounting treatment for retirement benefits. For UK listed companies and local authorities IAS19 applies; for other UK entities FRS102 applies. Companies with overseas parents may need to make disclosures under other standards. IAS26 applies for pension fund accounting.

A key feature of the standards is the requirement for liabilities to be valued using a discount rate assumption set with reference to yields on “high quality” corporate bonds.

It should be noted that the actual contribution rates required by employers for each fund are calculated every three years following a triennial actuarial valuation and these are calculated using assumptions set by the Fund Actuary. The discount rate assumption in particular is generally set with reference to expected future investment returns of the fund unlike the accounting standards which value the liabilities using solely the yields on corporate bonds. Therefore, the contribution rates paid by employers are not affected by the accounting results.



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Glossary of terms



Glossary of terms

Included in this section:

- [Actuarial gains & losses](#)
- [Administration expenses](#)
- [Asset Ceiling](#)
- [Change in demographic assumptions](#)
- [Change in financial assumptions](#)
- [Contributions by employer including unfunded](#)
- [Current service cost](#)
- [Curtailment](#)
- [Defined benefit obligation](#)
- [Demographic assumptions](#)
- [Discount rate](#)
- [Duration](#)
- [Interest cost](#)
- [Interest on assets](#)
- [Net interest on defined liability](#)
- [Past service cost](#)
- [Present value of defined benefit obligation](#)
- [Remeasurements](#)
- [Return on assets less interest/ Return on Fund assets in excess of interest](#)
- [Service cost](#)
- [Settlement](#)
- [Special event](#)
- [Unfunded benefits](#)

Actuarial gains & losses

The components of the actuarial gain or loss on assets are:

- the difference between the actual investment return on the assets over the year, and the interest on assets, plus
- an experience item, if applicable.

The components of the actuarial gain or loss on liabilities are:

- the effect on the value of liabilities of any change in financial assumptions (e.g. discount rate, assumed future inflation growth) from those used in the previous year, plus
- the effect on the value of liabilities of any change in demographic assumptions (e.g. mortality) from those used in the previous year, plus
- an experience item, if applicable.

For more details on experience items, please see the ["Gains and Losses"](#) section of the FAQs.

Administration expenses

Both accounting standards require the administration expenses to be recognised when the administration services are provided and to be reported as a separate item in the Profit and Loss (P&L) statement.

Note that this does not include expenses in relation to investment management as this is incorporated in the [Return on Fund](#) assets.

Asset ceiling

A restriction placed on the amount of accounting surplus which can be recognised.

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".

Allowing for an asset ceiling will reduce the value of the surplus disclosed at the accounting date. In certain circumstances, under IAS19 and where contributions towards a funding deficit are still required to be paid, the application of an asset ceiling can also affect those employers that have an accounting deficit.

Change in demographic assumptions

This shows the impact on the value of the liabilities of any changes in the demographic assumptions since the previous accounting date. More detail is given in the [Demographic assumptions](#) section.

The same demographic assumptions may be adopted between triennial funding valuations and so there may not be a change in demographic assumptions item each year.

The demographic assumption which is likely to have the most significant effect on the value of liabilities is the mortality assumption i.e. how long members will live. For example, when changes in mortality assumptions result in a decrease in the life expectancy of members this will result in a decrease in the value of liabilities. This is because the term that members are expected to live in retirement would be shorter so fewer benefits will be paid out.

Change in financial assumptions

This shows the impact on the value of the liabilities of any changes in the financial assumptions since the previous accounting date.

Financial assumptions reflect market conditions at the accounting date and so are likely to change each year.

The financial assumptions which have the most significant impact on the value of liabilities are the [discount rate](#) and the assumed rate of pension increases.

If the assumed discount rate is higher than at the previous accounting date this will result in a decrease in the value of liabilities and vice versa. Conversely, if the assumed rate of pension increases is higher than at the previous accounting date this will result in an increase in the value of liabilities and vice versa.

Contributions by employer including unfunded

This is the total value of the contributions paid by the employer to the fund including the normal contributions in respect of benefit accrual by active members, contributions towards any deficit and any early retirement strain contributions.

If [unfunded benefits](#) (usually pensions in payment) are facilitated by the Administering Authority and are to be included in the accounting report, then payments in respect of unfunded benefits are included here as well.

For more information on the inclusion of [unfunded benefits](#), please see the ["Do I need to include unfunded benefits on my balance sheet?"](#) section of the FAQs.

Current service cost

The **current service cost** represents the cost to the employer of the benefits earned by active members during the accounting period calculated on an FRS102/IAS19 basis. This is added to the liabilities and is not the same as the employer contributions paid to meet these 'new' benefits. It is calculated using assumptions at the start of the accounting period which means that it is not a fixed percentage of payroll and it is expected to vary from one accounting period to the next as assumptions change.

Under both standards this is a component of the **Service cost** in the P&L.

Curtailment

These will typically be the FRS102/IAS19 equivalent of early retirement costs. The actual strain payments to be paid by the employer to the fund are calculated by the administering authority using a different set of assumptions and so the curtailment cost under FRS102/IAS19 is unlikely to be the same as the strain contributions the employer pays.

In our calculations we calculate the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement only. The employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we only calculate the cost of curtailments which affect the employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately. Under both standards the curtailment cost is a component of the **Service cost** in the P&L.

Defined benefit obligation

This is also referred to as the past service liabilities. This is the value of the benefits accrued by all members to date, based on actuarial assumptions such as future increases to salaries, future mortality rates, future inflation rates etc.

Demographic assumptions

These are the assumptions used to generally provide estimates of the likelihood and timing of benefits and contributions being paid. This consists of all the non-financial assumptions used to value the liabilities including the mortality assumptions, (i.e. how long members are likely to live for), the rates of members retiring and the rate at which members exchange pension for cash at retirement.

Discount rate

Pensions and lump sums will be paid at some point in the future and so a rate known as the **discount rate** is used in order to express these expected future payments as a value at a present date.

It is analogous to a rate of interest; to illustrate this, if we put £100 into a savings account today, it is expected to grow with interest every year to become a higher amount in the future. Similarly, if we are aiming to have £100 at a future date then we only need to deposit a smaller amount now which will accumulate with interest to give £100 later.



A higher discount rate means that the future payments have a smaller value now i.e. a lower pension liability.

The accounting standards prescribe that the discount rate should be based on market yields at the reporting date of a 'high-quality corporate bond' of equivalent currency and term to the scheme liabilities. The discount rate can be derived using a number of different approaches. The current Barnett Waddingham approach is to use the Single Equivalent Discount Rate (SEDR) method.

Duration

When we talk about the duration of the liabilities we mean the average time to payment of benefits. We provide the Macaulay duration in the main accounting disclosure.

Further details of the approach used to estimate the duration please see the "[How is the employer duration calculated?](#)" section of the FAQs.

Interest cost

At the end of the accounting period the existing pension benefits are closer to payment than they were at the start of the accounting period, and so the value of the liabilities increases over the period with interest in line with the discount rate. This is the interest cost.

The interest cost forms part of the [net interest on defined liability](#) (in the P&L).

Interest on assets

The interest on assets item is calculated with reference to the [discount rate](#). This forms part of the [net interest on defined liability](#) (in the P&L).

Please note, if there was a restriction placed on the assets at the previous accounting date this will affect the calculation of the interest cost.

One of the most common questions we are asked by employers is how their asset amount has been calculated.

Go to the FAQ on [how are my assets calculated](#) to find out more.

Liabilities

These are also referred to as the [defined benefit obligation](#).

Net interest on defined liability

This is the [interest cost](#) on liabilities less the [interest on assets](#). The net interest on defined liability figure is a component of the P&L.

Past service cost

Additional benefits granted during the accounting year give rise to a [past service cost](#), for example, an employer decision to award additional service to a retiring employee.

Under both standards this is a component of the [service cost](#) in the P&L.

Remeasurements

Remeasurements are recognised in Other Comprehensive Income which is effectively the total of the [actuarial gains and losses](#) from the changes in the assets and liabilities over the accounting period. This will include the investment return on the assets in excess of interest, change in assumptions (financial and demographic) as well as any experience adjustments.

More detail about this is in the ["Gains and Losses"](#) section of the FAQs.

Return on assets less interest/ Return on Fund assets in excess of interest

This item is the investment return on fund assets above (or below) that which was assumed at the previous accounting date (or previous [special event](#) date if applicable). The investment return is net of investment management expenses and is provided in the 'Assets' section of your report. Under IAS19 and FRS102 the interest/assumed return on assets is the discount rate assumed at the previous accounting date or special event date.



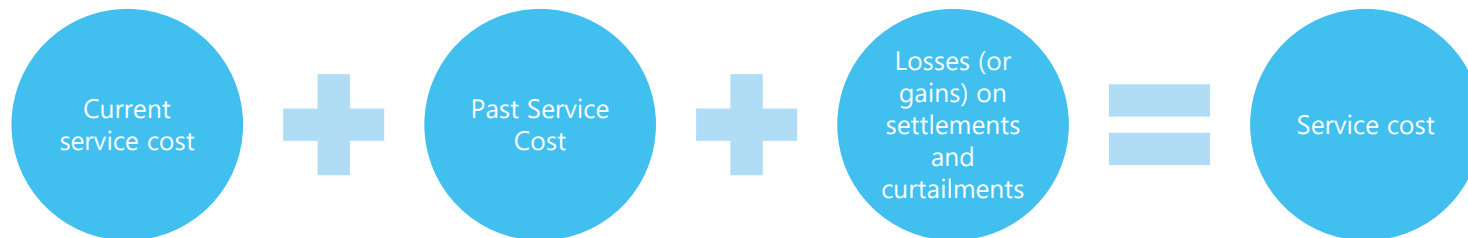
If the return on fund assets is lower than the discount rate this will result in an actuarial loss.

The magnitude of this item will be dependent on how much the actual return on Fund assets differs from the discount rate at the previous accounting date or special event date.

Service cost

The service cost is made of three key components:

- [Current service cost](#); plus
- [Past service cost](#); plus
- Losses (or gains) on [settlements](#) and [curtailments](#).



Settlement

A settlement will generally occur where there is a bulk transfer of members in to or out of the Fund or an employer's share of the Fund. The settlement loss or gain reflects the difference between the transferred asset share, and the value of the transferred liabilities when calculated on an FRS102/IAS19 basis. This value may be different when compared to figures calculated for non-accounting purposes due to different assumptions being used. Under both standards this is a component of the [Service cost](#) in the P&L.

Special event

Under the IAS19 standard, when determining any past service cost or gain or loss on [settlement](#) or [curtailment](#), the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. However, IAS19 notes that the extra [remeasurement](#) at the event date does not need to be applied where the application of that remeasurement is immaterial.

Where a remeasurement approach is required, we refer to this as a special event. Where an event is included but does not require the remeasurement approach, it is not a special event.

Unfunded benefits

Unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years (CAY) pensions. Such benefits are usually charged to the employer as they are paid. Other unfunded benefits include gratuities and enhanced teachers' pensions which are recharged to the employer, and pensions in respect of some other public sector pension schemes. This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the employer has responsibility for funding by paying contributions to the Fund.



Frequently Asked Questions (FAQs)



Frequently asked questions (FAQs)

Included in this section:

Balance sheet

- [How are my assets calculated?](#)
- [What is the Defined Benefit Obligation and how is this calculated?](#)
- [Do I need to include unfunded benefits on my balance sheet?](#)
- [Why have my numbers changed since the last accounting date?](#)
- [How is an asset ceiling calculated and should I allow for it?](#)

Assumptions

- [What is the difference between assumptions for an ongoing funding valuation and an accounting valuation?](#)
- [Why is the inflation assumption different to current inflation levels?](#)
- [How much scope is there for 'tweaking' the assumptions?](#)

Pension costs

- [How are settlements/curtailments/past service costs treated under IAS19?](#)
- [Why is the current service cost different from the contributions paid?](#)
- [Why is the current service cost different from the previous year?](#)
- [What if the reported contributions paid are different to the actual contributions paid?](#)

Gains and losses

- [What is an experience gain or loss?](#)
- [What does actual less expected return on Fund assets mean?](#)
- [Why is there an experience gain or loss on the assets?](#)
- [Why is there an experience gain or loss on the liabilities?](#)
- [What is the change in assumptions?](#)

Regulatory

- [What is the Virgin Media case and how does it affect the LGPS?](#)
- [What is the impact of the Lloyds judgment on past transfer values?](#)
- [What is the impact of the recent GMP indexation consultation response?](#)
- [Does the McCloud judgment have any impact on LGPS liabilities?](#)
- [Does the outcome of the Goodwin case have any impact on LGPS liabilities?](#)

Miscellaneous

- [Is the projected unit method being used?](#)
- [How are investment expenses allowed for?](#)
- [What checks are carried out on the data underlying the calculations?](#)
- [How is the employer duration calculated?](#)
- [What commutation factor is used in the calculations?](#)

If there are any questions that do not appear on this list, please get in touch with the Fund in the first instance.

Balance sheet

How are my assets calculated?

Notional assets

Assets are not separately held for each employer; each fund holds assets in respect of all the employers in the fund and each employer has a notional share of these assets. For example, the contributions an employer makes into the fund are not paid into a separate employer account and invested independently, but are paid into the whole fund along with all other employers' contributions and invested as a whole. However, they are taken into account when calculating a notional asset figure for actuarial valuations and employer work.

Asset calculation – actuarial valuations

Assets are fully re-apportioned at each triennial funding valuation. To do this for an employer, we accumulate the employer's notional market value of assets from the previous funding valuation, allowing for the Fund's actual returns and cashflows in respect of the employer which include employer and employee contributions, pensions and retirement lump sums paid, and transfers in and out etc. In general, cashflows are assumed to occur halfway through the year. We also allow for any notional asset transfers which may occur between employers when members transfer between employers in the Fund.

We also adjust the assets by a smoothing factor to be consistent with our measurement of the liabilities. We essentially look at the asset value over each day for the six month period around the valuation date (based on published market indices) and take the average.

Asset calculation – accounting valuations

In order to calculate asset values for accounting valuations, the starting point is the most recent funding valuation and the process is then similar to the above but may involve approximations. For example, if the fund's actual returns have not yet been calculated for any period, we will calculate the notional return based on suitable market indices.

The assets will change from year to year: increasing with contributions paid into the fund and decreasing as benefits (such as lump sums and pensions) are paid out of the fund. Investment returns will have an additional positive or negative effect.

Thus, the employer's asset share is not a fixed percentage of the fund and is expected to vary over time.

We use the market value of assets for FRS102 and IAS19 calculations therefore no smoothing factor is applied.

There may be a restriction placed on the assets recognisable in the Employer's accounts if an [asset ceiling](#) has been considered.

Auditor views

Auditors continue to look for greater accuracy in the roll forward approach used to calculate employers' results. This includes the approach used to determine each employer's share of fund assets at the accounting date.

Given the tight timescales for employers to submit their final accounts we appreciate that it is not always possible to wait until a fund's net asset statement at the accounting date is available to begin producing accounting disclosures. As a result, we may use details of funds' assets at the most recent date available and, for the remaining period, we assume that returns are in line with relevant market indices.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors and the administering authority of the fund as early as possible to ensure they are comfortable with the information being used to calculate results.

What is the Defined Benefit Obligation and how is this calculated?

The Defined Benefit Obligation is the accounting label for what is usually known as the value of the pension liabilities of the employer. The pension liabilities for an employer are the promised benefit payments (e.g. pensions, lump sums) due in the future from the fund to its members. The Defined Benefit Obligation is the value of these liabilities calculated using a set of assumptions on an FRS102/IAS19 basis, which includes how these payments will increase over time, how long they will be paid out for (i.e. how long each member is likely to live for) and the [discount rate](#) to apply to them to give a current value.

The Defined Benefit Obligation depends on the amount of the benefits so will increase as benefits are accrued and reduce as benefits are paid out. The value will also increase or decrease as the assumptions used to calculate their value change.

Do I need to include unfunded benefits on my balance sheet?

The payment of [unfunded benefits](#) may be facilitated by the Administering Authority and recharged to the employer.

FRS102 and IAS19 both state that all retirement benefits should be accounted for when the member earns the benefit and not when it is paid by an employer. Therefore when a member retired and was awarded [unfunded benefits](#) the value of all future payments should have been taken into account at the point of retirement. This value would generally be expected to reduce over time as the benefits are paid out.

If you have unfunded benefits which are to be included in the accounting figures that we prepare, then you should make us aware of these.

Why have my numbers changed since the last accounting date?

The figures in the accounting disclosures are expected to change from one accounting period to the next. Some figures may be expected to be broadly consistent, however, many figures are unrelated year on year. Guidance on differences that can be expected are set out in the tables below. These tables replicate the reconciliation tables that are disclosed in our reports.

Liability reconciliation items

Factors causing difference in value compared to equivalent item at previous accounting date

Opening defined benefit obligation

Current service cost	<ul style="list-style-type: none"> varies with active member payroll changes in financial assumptions (at start of accounting period)
Interest cost	<ul style="list-style-type: none"> change in discount rate assumption (at start of accounting period) varies with size of defined benefit obligation
Change in financial assumptions	<ul style="list-style-type: none"> not comparable with value at previous accounting date depends on extent of change in financial assumptions at last accounting date vs current accounting date
Change in demographic assumptions	<ul style="list-style-type: none"> not comparable with value at previous accounting date depends on extent of change in demographic assumptions at last accounting date vs current accounting date
Experience loss/(gain) on defined benefit obligation	<ul style="list-style-type: none"> not comparable with value at previous accounting date depends on how actual experience incorporated compares with previous assumptions
Liabilities assumed / (extinguished) on settlements	<ul style="list-style-type: none"> not comparable with value at previous accounting date depends on settlement events
Estimated benefits paid net of transfers in	<ul style="list-style-type: none"> not necessarily comparable with previous accounting date as includes one off cashflows (such as retirement lump sums)
Past service costs, including curtailments	<ul style="list-style-type: none"> not comparable with value at previous accounting date depends on past service costs and curtailment events
Contributions by Scheme participants and other employers	<ul style="list-style-type: none"> varies with active member payroll
Unfunded pension payments	<ul style="list-style-type: none"> changes in unfunded benefits paid

Closing defined benefit obligation

Asset reconciliation items

Factors causing difference in value compared to equivalent item at previous accounting date

Opening fair value of Fund assets

Interest on assets	<ul style="list-style-type: none"> • change in discount rate assumption (at start of accounting period) • varies with size of fair value of Fund assets
Return on assets less interest	<ul style="list-style-type: none"> • not comparable with value at previous accounting date • depends on Fund return over accounting period and interest on assets
Other actuarial gains/(losses)	<ul style="list-style-type: none"> • not comparable with value at previous accounting date • depends on how actual experience incorporated compares with previous assumptions
Administration expenses	<ul style="list-style-type: none"> • varies with size of fair value of Fund assets • depends on fund's level of administration expenses
Contributions by employer including unfunded	<ul style="list-style-type: none"> • varies with active member payroll and unfunded benefits paid • depends on additional one off contributions
Contributions by Scheme participants and other employers	<ul style="list-style-type: none"> • varies with active member payroll
Estimated benefits paid plus unfunded net of transfers in	<ul style="list-style-type: none"> • not necessarily comparable with previous accounting date as includes one off cashflows (such as retirement lump sums)
Settlement prices received / (paid)	<ul style="list-style-type: none"> • not comparable with value at previous accounting date • depends on settlement events

Closing Fair value of Fund assets

How is an asset ceiling calculated and should I allow for it?

The accounting standards require that the amount of surplus that can be recognised should reflect the extent to which the employer is able to recover that surplus either through reduced contributions in the future, or through refunds.

Barnett Waddingham's view is that, in general, employers in the LGPS do not have an unconditional right to a refund of surplus as such a payment would be at the discretion of the relevant LGPS fund. Therefore, our default approach is to allow for an **asset ceiling** and to restrict any surplus to the economic benefit that may be obtained from potential future reductions in contributions. In line with our interpretation of IFRIC 14 *"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*, we will calculate this by considering the assumed future cost of benefits payable over the expected life of the employer in the fund, less the value of contributions expected to be paid towards those future benefits.

Some employers may be expected to participate in the fund indefinitely, in which case we will carry out our calculations assuming that these costs and contributions apply in perpetuity. Other employers may be expected to participate for a finite period, in which case we will consider a shorter period, such as the relevant contract length or the average time until the last active member leaves service thereby triggering a cessation event.

For employers accounting under IAS19, additional liabilities may be recognised if the employer is required to pay contributions towards a funding deficit, as such contributions may contribute an additional surplus which cannot in fact be recovered. We will consider such contributions payable over the period of the existing deficit recovery plan. Under certain circumstances, this can also affect employers who have an accounting deficit, if payment of deficit contributions is expected to lead to an irrecoverable surplus arising.

We consider the above treatment to be in line with guidance issued by The Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2023. Whilst this guidance was prepared specifically for local authorities, we believe it is reasonable to have regard to the general principles contained within it.

This is a highly complex topic and different interpretations of the accounting standards, including their accompanying guidance, are available. The decision as to whether to allow for an asset ceiling, and the method used to calculate it, is ultimately the responsibility of the employer and so it may be advisable to speak to your auditor if further clarification of the required approach is needed.

Assumptions

What is the difference between assumptions for a funding valuation and an accounting valuation?

The purpose of a funding valuation is to set the contributions payable by employers, and these are typically based on a set of ongoing assumptions. An accounting valuation on the other hand is prepared to meet statutory disclosure requirements and is included in the employer's annual accounts. Therefore, the purposes are different. The results from the two valuation types can be significantly different due to the different assumptions used.

The assumptions adopted for a funding valuation are set by the Fund Actuary following discussion with the administering authority. Broadly, they are set with reference to the long-term expected cost of providing LGPS benefits and take into account the investment strategy of the fund and the expected return on each asset class that the fund invests in. In contrast, FRS102 and IAS19 are fairly prescriptive accounting standards which aim to allow employers' pension obligations to be compared with each other.

Generally, the demographic assumptions used for both valuations are the same and determined every three years as part of the triennial funding valuation. However, updates may be made between funding valuations to reflect the latest industry views on future mortality rates.

The main area where funding valuations for our funds and accounting valuations differ is in the derivation of the [discount rate](#). For funding valuations, the discount rate adopted is based on the expected investment return of the assets actually held by the fund. For FRS102/IAS19, the discount rate is required to be determined with reference to the market yield on 'high quality' corporate bonds and with consideration of the [duration](#) of the employer's liabilities.

Generally, corporate bond yields will be different from the return assumed for a funding valuation as the fund is likely to invest in a mixture of assets including equities and property. Therefore we would expect that employers' costs and liabilities under FRS102/IAS19 will be different from those calculated in a funding valuation as the [discount rate](#) used is different.

It is important to note that the accounting position has no bearing on the contributions that the employers actually pay into the fund. Contribution rates are set every three years as part of the triennial valuation.

Why is the inflation assumption different to current inflation levels?

The current level of inflation that is widely reported each month is a measure of how prices have increased in the recent past, usually over the last year. However, in order to project cashflows to and from the fund over the future lifetime of the fund, we are interested in what inflation will do in the future and therefore we have to make an assumption about expected future levels of inflation over the long term. We do this by using information published by the Bank of England.

How much scope is there for 'tweaking' the assumptions?

One of the objectives of FRS102 and IAS19 is to ensure that organisations all account for pension costs on a consistent market-related basis so there is not intended to be a huge amount of scope to deviate away from typical market assumptions. We do provide a recommended set of assumptions but the employer is ultimately responsible for the assumptions that are adopted.

One key area in which the employer can exercise more control is the assumption about future levels of pay increases as they will have more knowledge of likely future pay awards for their staff.

If you would like more information on the options available to employers regarding bespoke assumptions please get in touch with your LGPS fund.

Pension costs

How are settlements/curtailments/past service costs treated under IAS19?

The IAS19 standard requires that when determining any past service cost or gain or loss on settlement that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. This applies for all accounting periods starting on or after 1 January 2019.

Common events for LGPS employers that this amendment may apply to include outsourcings, academy conversions and unreduced early retirements.

The [remeasurement](#) requirement complicates the accounting disclosure as 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 amendment does, however, note that 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. If relevant, the employer should also consider any guidance in relation to this set out by The Chartered Institute of Public Finance & Accountancy (CIPFA) in its most recent *Code of Practice on Local Authority Accounting in the United Kingdom*.

Why is the current service cost different from the contributions paid?

Contributions are required from the employer to meet the cost of the benefits being earned by current employees, and to pay off any past service deficit. Minimum contributions are certified when a new employer joins the Fund and then again at each triennial funding valuation. These certified contributions are calculated using assumptions made at each funding valuation and reflect, amongst other things, the return assumed to be earned by the assets actually held by the Fund.

The **current service cost** in FRS102/IAS19 only includes the employer cost of benefits being earned by current employees and does not include the cost of paying off any past service deficit. The assumptions used for FRS102/IAS19 are usually different to those used for the funding valuation. In particular, the **discount rate** is prescribed by FRS102/IAS19 and is unlikely to reflect the Fund's actual asset allocation. This means the **current service cost** calculated for FRS102/IAS19 is likely to be different from the cost covered by the certified minimum contributions.

Why is the current service cost different from the previous year?

The current service cost is the cost of benefits accrued over the period based on the assumptions at the start of the period i.e. the assumptions at the previous accounting date or the most recent **special event** date.

Therefore this will be affected by:

- the difference in the assumptions adopted at the previous accounting date (and any **special event** dates) compared to the assumptions adopted for calculating the previous accounting date's current service cost; and
- the change in payroll over the accounting period compared to that over the previous accounting period.

What if the reported contributions paid are different to the actual contributions paid?

The discrepancy may be because full cashflows for the accounting period were not available for the report, and therefore they were estimated based on part-year cashflows. We can revise the disclosure to take account of the actual contributions paid but we recommend that you agree with your auditor that this is necessary on the grounds of materiality.

Gains and losses

What is an experience gain or loss?

Accounting reports are prepared each year using a number of estimates and approximations in the roll-forward process on both the assets and the liabilities. This experience adjustment is essentially a correction of the estimates made in previous accounting reports.

Employers are likely to see an experience item in an accounting report prepared following a full membership valuation, such as a triennial funding valuation, to allow for actual experience such as pension increases, member movements and mortality.

What does actual less expected return on Fund assets mean?

The “expected” return on the Fund assets for a year is simply based on the [discount rate](#) assumption at the start of the period (or the last special event date). If actual Fund returns, net of investment management expenses, have been higher than the [discount rate](#) assumption this figure will be positive but if they were lower this will be negative.

Why is there an experience gain or loss on the assets?

To determine the employer asset share for an accounting report we may need to estimate various pieces of financial information, including cashflow information such as contributions received, benefits paid and fund returns. However, at a triennial funding valuation we get full cashflow data for each year and actual audited Fund returns. We then determine each employer’s asset share accurately at the triennial valuation date and the experience item emerges as the difference between the three years’ worth of estimated rolled-forward assets and the accurate figure. There may also be differences between the accounting and funding valuation asset figures due to allowance for any transfers or outsourcings that may not have been resolved in time to be included in the relevant accounting years, or due to a rebalancing of employer assets within a funding pool.

Why is there an experience gain or loss on the liabilities?

To determine the value of the employer liabilities for an accounting report we roll forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes.

After each triennial valuation we recalculate the accounting liabilities using up to date membership data and results. An experience item emerges which reflects the difference between the actual experience of the members of the Fund and what was assumed for them in the previous accounting reports. For example, if members died earlier than assumed this will result in an [actuarial gain](#) as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an [actuarial loss](#) as the liabilities will be higher than estimated.

Experience gains or losses may also arise each year due to other experience updates. For example, employers may choose to allow for inflation experience each year. This would result in an experience gain or loss depending on how pension increase experience compared with what was assumed at previous accounting dates.

What is the change in assumptions?

This is a combination of the impact on the value of the liabilities due to any changes in the financial and demographic assumptions since the previous accounting date.

See the [change in demographic assumptions](#) and [change in financial assumptions](#) sections above for more detail.

Regulatory

What is the Virgin Media case and how does it affect the LGPS?

The 'Virgin Media' case refers to the High Court case of Virgin Media vs NTL Pension Trustees II Limited. The court considered if a change to the scheme rules was unlawful. The grounds for the invalidation of the changes were that a 'Section 37' certificate was not obtained from the Scheme Actuary at the time when the changes were made to the Scheme. The judge ruled in favour of the changes to scheme rules being invalid.

For more information on the Virgin Media case, please see our blog [here](#).

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 253 - July 2024 states that the LGA understands the appeal ruling applies to the LGPS and that HM Treasury is currently assessing the implications for all public service pension schemes.

[LGPC Bulletin 257](#) provides a view from HM Treasury 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. However, HM Treasury are still assessing the implications for all public service schemes.

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.

Further information on the audit considerations can be found in the ICAEW's help sheet from 13 February 2025 [here](#).

What is the impact of the 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.

What is the impact of the recent 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](#).

For details on our standard assumption for GMP, please see the latest briefing note.

Does the McCloud/Sargeant judgment have any impact on LGPS liabilities?

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

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.

Does the outcome of the Goodwin case have any impact on LGPS liabilities?

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have [confirmed](#) that a remedy is required in all affected public sector pension schemes, which includes the LGPS.

We do not yet have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in most cases, funds will not have this information or data to hand. It is our understanding that the Government Actuary's Department (GAD) is undertaking a review to assess the potential impact on public sector pension schemes, which we expect will be minimal for LGPS funds.

At the time of producing this document, we do not yet have the results of GAD's review. However, it is our expectation that the impact on the value of LGPS liabilities as a whole, and for the majority of employers participating in the LGPS, will not be material. It is possible that the impact on individual employers will vary depending on their specific membership profile; although any cases resulting in a significant impact are likely to be few and far between.

Miscellaneous

Is the projected unit method being used?

Yes

How are investment expenses allowed for?

Investment expenses are included in the estimated [Return on Fund](#) assets. Therefore, the 'Return on assets less interest' element of the asset reconciliation includes allowance for investment expenses.

Investment expenses are not included in 'Administration expenses' and are therefore not contained within in the Profit and Loss statement, however, as they are included in the 'Return on assets less interest', investment expenses are included in the Remeasurements in other comprehensive income.

What checks are carried out on the data underlying the liability calculations?

One of the key items of data underlying our calculations is the member data used for the starting point of the liability roll forward. The member data is generally that from the most recent funding valuation and therefore has been passed through a rigorous data checking process as part of the valuation. As the member data has been sufficiently cleansed for the purpose of the funding valuation, we believe it is also reasonable for the purpose of the accounting roll forward. The key checks carried out on the data include:

- Consistency of static member data items (such as sex and date of birth) to previous valuation
- Consistency of changeable member data items to previous valuation. For example:
 - Reasonable change in salary for active members
 - Reasonable level of accrual for active members
 - Deferred and pensioner member pensions have increased as expected based on LGPS pension increases
- Reconciliation of employer membership to ensure that all previous members are accounted for (or no longer in the data as expected) and new members look reasonable.

How is the employer's duration calculated?

The employer's duration is estimated using the Macaulay duration and this is calculated using membership data from the latest triennial valuation.

The employer duration is recalculated at the accounting date to reflect the financial assumptions at the accounting date, using the data from the latest triennial valuation.

What commutation factor is used in the calculations?

A commutation factor of 12 is adopted for our calculations in line with the benefit structure set out in the LGPS Regulations.



Report to: Audit & Governance Committee Meeting
22 April 2026

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director –
Resources and Section 151 Officer

Lead Officer: Nick Wilson, Assistant Business Manager Financial
Services on ext 5331

Report Summary	
Report Title	Counter-Fraud Activities from 30 September 2025 to 31 March 2026
Purpose of Report	To inform Members of counter-fraud activity undertaken since the last update reported on 30 September 2025.
Recommendations	That Members note the report
Reason for Recommendation	To promote a strong counter-fraud culture, it is important that Members are aware of the Council’s response to fraud and the results of any actions taken.

1.0 Background Information

1.1 An element of the role of the Audit & Governance Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

2.0 Counter Fraud Detection

2.1 The Housing Benefit fraud team was transferred to the Fraud and Error Service at the Department for Works and Pensions on 1 December 2015.

2.2 Any housing benefit cases identified as potentially fraudulent are referred to the Fraud and Error Service at the DWP for investigation, likewise the Fraud and Error service when

investigating other national benefits will request information from us if there is a housing benefit indicator.

- 2.3 For 2025/26 no referrals have been received from the Fraud & Error Service, resulting in Housing Benefit overpayments.

The Fraud & Error Service also issued 27 requests for information from us regarding potential fraudulent claims.

- 2.4 In addition, the Department for Work and Pensions issue monthly data matches they have deemed as high risk for investigation.

- 2.5 HMRC also issue notifications of earning and pensions changes each month which are checked against existing housing benefit and council tax support claims to ensure that up to date figures have been used in any assessment. For the period 1st April 2025 to 31st March 2026 736 notifications were received from HMRC.

- 2.6 The migration of the working age Housing Benefit caseload to Universal Credit has now been completed. The Housing Benefit caseload has therefore reduced to 2,222 and the only working age Housing Benefit claims in payment will be those where the customer is residing in temporary or supported exempt accommodation. In effect, most Housing Benefit claims going forward will be for pension age customers only.

3.0 **Other Counter-Fraud Work**

Fraud Risk Register

- 3.1 Based on the Fraud Risk Register that was presented to the committee on the 16 April 2025 the table below shows progress against the identified actions:

Action	Due Date	Update	Revised date
Update Acquisition and Disposal policy	May 2025	Complete	
Ensure all properties receive an annual inspection	August 2025	Complete	
Automate onboarding through implementation of new ICT module	December 2025	This action has been removed, as the current solution is not expected to be used in the longer term	
Refresh of Counter fraud training to Planning team	July 2025	Complete	

- 3.2 During March 2026, the Business Manager – Financial Services liaised with fraud risk owners to review their risks. The outcome of the fraud risk register review is tabled elsewhere on this agenda but below are additional control measures that are due to be put into place.

Action	Due Date	Update	Revised date
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Where a sole trader holds a lease, clarity from the lessor will be sought to ensure the validity of the lease and hence the liable party of Business Rates	June 2026		New action
Refresher training on fraud risks delivered to the Revenues and Benefits team	June 2026		New action
ICT Asset inventory verification by all staff	June 2026		New action
Provide guidance for Managers around recruitment	June 2026		New action
Enhance appointment process to include a declaration around second jobs	June 2026		New action
Training delivered to managers around attendance	June 2026		New action
Reminder to managers on approving overtime hours and flexi-time	June 2026		New action
Review of Planning Scheme of Delegation and Planning protocols	July 2026		New action
Review reports from new Housing Management System in relation to allocation of homes	September 2026		New action
Complete a census of all housing tenants	March 2027		New action

4.0 The National Fraud Initiative (NFI)

4.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.

4.2 As an alternative approach to previous years, a County wide single person discount review was conducted during 2025/26 by a third party selected to conduct the exercise with the major preceptors agreeing to pay the costs pro rata according to the % share of the Council Tax bill.

- 4.3 In total, following a rigorous data matching exercise with Experian and a further in-depth filtering process where 16,258 single person discount cases were validated as correctly claiming the discount, initial canvass letters were issued to the remaining 4,156 households on 25th July 2025 requiring households to validate their single person discount status or provide updated details with regard to who is living at the property.
- 4.4 Reminder letters being issued to 1,703 households on 15th August 2025 due to no response. At the end of the SPD review process 1,036 households had failed to respond to both review letters and as such, were subject to their discount being removed with effect from 1st April 2025.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Nil.



Report to: Audit and Governance Committee – 22 April 2026

Director Lead: Sanjiv Kohli, Deputy Chief Executive/Director of Resources (S151 Officer)

Lead Officer: Nick Wilson, Business Manager – Financial Services
Ext 5317

Report Summary	
Report Title	Fraud Risk Assessment
Purpose of Report	To inform members of the update of the Fraud Risk Register undertaken during March 2026.
Recommendations	That members note the content of the report.
Reason for Recommendation	To promote a strong counter-fraud culture, it is important that Members are aware of the Council’s fraud risks and the controls in place to mitigate them.

1.0 Background

- 1.1 A fraud risk assessment was first undertaken in June 2014 and a fraud risk register produced and presented to the Audit and Accounts Committee.
- 1.2 The fraud risks are assessed annually and the register updated. The amended Fraud Risk Register as at April 2026 is attached at Appendix A (and in the exempt appendix).

2.0 Work Undertaken

- 2.1 All of the existing risks have had a review by the Business Manager – Financial Services, and the risk owner. These were all considered as to whether there are new fraud types within the risk and whether the controls reflected the current environment.
- 2.2 The risk scores were then reviewed to determine whether the impact or likelihood of any of the frauds occurring has changed since the last review.

2.3 The final part of the exercise was to consider whether any further actions were appropriate which would lead to further controls being in place. Where actions were identified, these are measurable and were given a timeframe for completion, which would therefore seek to reduce either the likelihood or impact of the potential fraud. This review was set in the context of proportionality to ensure that proportionate resources are deployed to ensure the prevention and detection of any fraud.

3.0 Results

3.1 There are 22 areas of the Council that are deemed to have a fraud risk. The type of risk is dependent on the service. Based on the existing controls, of those risks, six are currently considered to be medium risk (amber) and sixteen are low risk (green).

3.2 During the assessment process, it was felt that none of the risk scores needed to change from the assessment carried out during April 2025.

3.3 Further actions have been identified, some which are specific to the risk itself, whereas there are some actions which are holistic and overarch a number of the fraud risks. The details of all of the actions together with completion by dates are included within the appendix.

3.4 Nineteen of the risks have achieved their target score. There are three that are still to achieve their target.

3.5 The Fraud Risk Register will be updated and reported to the Committee annually. The risks, controls, current risk scores and target scores, and further actions, will be monitored accordingly. Progress on implementing further actions will be reported in the bi-annual Counter-Fraud activity report to the Committee.

4.0 Equalities Implications

None.

Background Papers and Published Documents

None.

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

LIKELIHOOD	4 Almost certain					Occurs several times per year – it will happen
	3 Probable	Employment Fraud : Payment	Housing Benefit Council Tax Support Council Tax Procurement Fraud : Contracts & Payments			It has happened before – and could happen again
	2 Possible	Insurance Fraud Employment Fraud : Recruitment Council Assets (fraudulent use)	Assets : Land and Property Economic & Third Sector fraud Assets : Equipment Development Management NDR Housing Fraud	Cyber Fraud		It may happen but it would be unusual
	1 Hardly ever	Money Laundering Electoral Fraud–Registration Bank Fraud	Electoral Fraud– Elections Credit Income & Refunds	Investment Fraud		Never heard of it occurring – we cannot imagine it occurring
		1 Negligible	2 Minor	3 Major	4 Critical	
IMPACT						

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	HOUSING BENEFIT FRAUD			
Risk Owner	Business Manager – Revenues and Benefits			
FRAUD TYPES	<ul style="list-style-type: none"> • False applications • False documents • Failing to notify change 			
CONTROLS	<ul style="list-style-type: none"> • Annual participation in National Fraud Initiative alongside real time information reviews that are prioritised daily with information received from DWP and HMRC • Fraud referral process in place with DWP Fraud and Error Service • Ad hoc communication to social landlords on housing benefit matters • Payment of benefit procedures completed as per the Financial Regulations • Experienced benefits staff in place • Combined database with revenues • Annual subscription to National Anti-Fraud Network allows intelligence gathering • DWP led review individual cases to ensure accuracy of award • Counter-fraud page on website detailing how public can report fraud • Council Tax and Housing teams sharing intelligence to identify potential fraud • Audit of the Subsidy claim whereby individual cases are reviewed - completed by External Audit • Verification of National Insurance number, proof of employment, residence, financial standing and dependents within the household prior to award • Training <u>given</u> on Housing Benefits processes to the Housing Management Business Unit • Whistleblowing policy updated • Housing Benefit Matching Service Accuracy Initiative implemented with DWP • DWP caseload review processing for selected cases 			
AGREED ACTIONS	n/a			
CURRENT RISK SCORE	AMBER			
TARGET RISK SCORE	AMBER			
	TARGET RISK		CURRENT RISK	
	X		X	

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	COUNCIL TAX SUPPORT SCHEME																																
Risk Owner	Business Manager – Revenues and Benefits																																
FRAUD TYPES	<ul style="list-style-type: none"> • False applications • Failure to notify change in circumstances 																																
CONTROLS	<ul style="list-style-type: none"> • Anti-Fraud & Corruption Strategy in place and updated December 2024 • Annually approved Council Tax Support policy last updated November 2025 • Counter-fraud page on website detailing how public can report fraud • Annual participation in National Fraud Initiative alongside real time information reviews that are prioritised daily with information received from DWP and HMRC • Council Tax and Housing share intelligence and identify potential fraud opportunities • Verification of National Insurance number, proof of employment, residence, financial standing and dependents within the household • Experienced benefits staff in place • Annual subscription to National Anti-Fraud Network allows intelligence gathering • Annual Single Person Discount review which will potentially identify fraud or error • Whistleblowing policy updated Feb 25 • Conduct bi yearly council tax single person discount reviews to supplement NFI review – external support has been used for the 2024 review in consultation with other Notts LA's and is being planned for the 2025 review. 																																
AGREED ACTIONS	n/a																																
CURRENT RISK SCORE	AMBER																																
TARGET RISK SCORE	AMBER																																
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FRAUD RISK	COUNCIL TAX FRAUD
Risk Owner	Business Manager – Revenues and Benefits
FRAUD TYPES	<ul style="list-style-type: none"> • Avoidance of liability through any fraudulent claim for council tax discount or exemption • New properties not on the list:

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	<ul style="list-style-type: none"> ○ built without planning permission ○ No notification of properties built and occupied or built and substantially complete 																																
CONTROLS	<ul style="list-style-type: none"> ● Anti-Fraud & Corruption Strategy updated December 2024 ● National Fraud Initiative – data matching. The expanded data matching review is completed every two years ● Liaising with the university – access to student lists & annual review of students continued attendance on course ● Due diligence completed on every application received ● Review planning data in respect of new developments ● Visual inspection in respect of new or altered properties ● Counter-fraud page on website detailing how public can report fraud ● Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities ● Monitor s13A exemptions and discounts for appropriateness and continued eligibility ● Whistleblowing policy updated Feb 25 ● Participate in corporate risk review meeting for GRT sites ● Annual review of disabled person reductions and ongoing monitoring of all property based exemptions by our inspectors 																																
AGREED ACTIONS	n/a																																
CURRENT RISK SCORE	AMBER																																
TARGET RISK SCORE	AMBER																																
TARGET RISK	CURRENT RISK																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	NNDR FRAUD																																
Risk Owner	Business Manager – Revenues and Benefits																																
FRAUD TYPES	<ul style="list-style-type: none"> • Failure to declare occupation • Companies going into liquidation then setting up as new companies • Avoidance of liability through fraudulent claim for discount or exemption • Empty rate avoidance • New properties not on the list: <ul style="list-style-type: none"> ○ built without planning permission ○ No notification of properties built and occupied or built and substantially complete 																																
CONTROLS	<ul style="list-style-type: none"> • Anti-Fraud & Corruption Strategy updated December 2024 • Ensure liable business identified for each assessment on the list • Information sharing with Asset Management and Sundry Debt teams • Inspections of occupied and unoccupied properties • Public complaints • Promptly report new premises to valuation office • Supporting evidence requested during changes in occupation • Counter-fraud page on website detailing how public can report fraud • Use of Analyse Local to review and identify potential undeclared alterations and new properties • Shared inspection resource – NDR along with other Notts Districts employ shared resource to check empty properties, quality assurance for existing properties and identify new and additional properties • Whistleblowing policy updated Feb 25 • Gifts and Hospitality policy updated Feb 25 • On-going review of Small Businesses to ensure any relief granted is valid 																																
AGREED ACTIONS	<u>Where a sole trader holds a lease, clarity from the lessor will be sought to ensure the validity of the lease and hence the liable party of Business Rates by June 2026</u>																																
CURRENT RISK SCORE	GREEN																																
TARGET RISK SCORE	GREEN																																
TARGET RISK	CURRENT RISK																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	PROCUREMENT & CONTRACT FRAUD (CONTRACTS)
Risk Owner	Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Bid rigging & cartels – including cover pricing • Bribery of officers or Members involved in contract award • Collusion between officers and contractors involved in tendering • Violation of procedures • Manipulation of accounts • Failure to supply • Failure to supply to contractual standard • Inflating performance information to attract greater payments
CONTROLS	<ul style="list-style-type: none"> • External Procurement Team independent to the Council assists with procurements • Contract procedure rules updated May 2025 • Financial Regulations updated May 2025 • Contract management toolkit in place • Equifax check on proposed companies to be contracted with • Evaluation teams for award of contracts - individual scoring • Code of Conduct in place • Electronic tender system used for receipt of tenders • Anti-Fraud & Corruption Strategy updated December 2024 • Contract management training • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Annual refresher training on procurement • Procurement guidance on Contract Management on intranet • Housing capital expenditure is now channelled through the Council's e-tendering platform • Spot checks on CPR compliance • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Review of actual invoice payments through the budget monitoring process • Annual review of contract management performance of a selection of key contracts • Whistleblowing policy approved February 2025 • Gifts and Hospitality policy approved February 2025 • Half yearly review of contracts register from December 2024 • Half yearly review of contracts by Directors from December 2024
AGREED ACTIONS	n/a
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	GREEN
TARGET RISK	
CURRENT RISK	
X	X

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

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FRAUD RISK	PROCUREMENT AND CONTRACT FRAUD (PAYMENTS)																
Risk Owner	Business Manager – Financial Services																
FRAUD TYPES	<ul style="list-style-type: none"> Credit cards & procurement cards False invoices & claims Duplicate payments (false submission) Senior executive fraud BACS fraud - fraudulent change of bank details Mandate fraud Claiming petty cash for personal items Records or methods of payment 																
CONTROLS	<ul style="list-style-type: none"> Financial Regulations updated May 2025 Anti-Fraud & Corruption Strategy updated December 2024 Bi-annual review of Accounts Payable through the National Fraud Initiative Authorisation of orders by authorised officer separate to that requesting the order to be raised Check/approval on changes to creditor details (to prevent mandate fraud) Review of actual invoice payments through the budget monitoring process All procurement cards are owned by an individual officer and details of the card are kept private All spend over £500 published on the Councils website as part of the Governments Transparency agenda Counter-fraud page on website detailing how public can report fraud Counter Fraud section on intranet Annual Financial Regulations training for all appropriate staff Whistleblowing policy updated February 2025 Checking of bank account details with banking system to ensure details are correct for new suppliers and updating details for existing suppliers 																
AGREED ACTIONS	n/a																
CURRENT RISK SCORE	AMBER																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	BANK FRAUD																																
Risk Owner	Business Manager – Financial Services																																
FRAUD TYPES	<ul style="list-style-type: none"> • Misuse of cheques • Alteration of existing cheques • Bank Mandate fraud • Direct Debit, Standing Order fraud on Council's bank account • Unauthorised payments 																																
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations updated May 2025 • Anti-Fraud & Corruption Strategy updated December 2024 • Monthly Bank reconciliations completed • Control accounts are balanced at each month end • Verify changes of bank account details using original contact information & audit trail • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Review of actual invoice payments through the budget monitoring process • Cheques stored securely, with limited access and reconciled to the financial management system once appearing on the bank statement • Role profiles within the banking system set to ensure separation of duties between those creating the investment and those authorising the investment • Bank communications on fraud distributed to the treasury officers • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Relevant Officers signed up through the National Anti Fraud Network (NAFN) • Review of actual invoice payments through the budget monitoring process • Whistleblowing policy approved February 2025 																																
AGREED ACTIONS	n/a																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	INVESTMENT FRAUD																																																																			
Risk Owner	Business Manager – Financial Services																																																																			
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent misappropriation of assets • Loss through breach of procedures • False instruments 																																																																			
CONTROLS	<ul style="list-style-type: none"> • Annually approved Treasury Management Strategy • Role profiles within the banking system set to ensure separation of duties between those creating the investment and those authorising the investment • Where transaction is greater than £50,000 two authorisers must release the payment • Treasury Management advisers review of current portfolio together with instant communication on counterparty rating changes and review of potential new investment counterparties • Financial Regulations updated May 2025 • Anti-Fraud & Corruption Strategy updated December 2024 • Monthly reconciliations of investment transactions to third party statements • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025 • Gifts and Hospitality policy approved February 2025 																																																																			
ACTIONS	n/a																																																																			
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	ASSETS (LAND AND PROPERTY)
	<ul style="list-style-type: none"> • Business Manager – Corporate Property • Director – Housing, Health and Wellbeing • Business Manager - Strategic Housing • Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Acquisition for more than market value • Selling asset for less than market value • Collusion between staff and purchaser – may include provision of insider knowledge (e.g. planning, leases & covenants) • Collusion between staff and tenant • Interaction with commercial agents who could under/over value properties
CONTROLS	<ul style="list-style-type: none"> • Up to date Asset register with valuations based on the Council's 5 year rolling programme of valuations • Council procures Independent valuation where an asset is to be sold without auction as per the Acquisition and Disposals policy • Sale and acquisition of land or property assets must be approved at Cabinet above £300,000, Section 151 Officer delegated below this (in accordance with the Acquisition and disposal policy) • Financial Regulations approved at Council May 2025 • Anti-Fraud & Corruption Strategy approved at Council December 2024 • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Monthly meetings across the portfolio with Corporate Debt Team • Identification and Credit checks on new tenants • Commencement of lease form distributed to relevant departments within the Council (Legal, Business Rates) • Acquisition and Disposal policy updated May 2025 • Budget monitoring reviews to ensure income being raised • Acquisition and Disposal policy updated May 2025 • Whistleblowing policy approved February 2025 • Gifts and Hospitality policy approved February 2025 • <u>Completed delegated authority form required prior to legal commencement</u> • <u>Heads of Terms signed by Business Manager and S151 Officer</u> • <u>Comparable evidence gathered to inform rent reviews</u> • <u>Business Manager sets budget and reflects anticipated rent review increases</u> • <u>All properties receiving annual inspection</u> • <u>Council Land and Planning Group meet monthly to discuss any land acquisitions and disposals</u>
AGREED ACTIONS	n/a
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

TARGET RISK				CURRENT RISK			
	X			X			

FRAUD RISK	ASSETS (EQUIPMENT)
Risk Owner	Business Manager - ICT
FRAUD TYPES	<ul style="list-style-type: none"> • Selling asset for less than market value • Collusion between staff and purchaser • Disposal of assets no longer required by the council
CONTROLS	<ul style="list-style-type: none"> • Annual review of Asset register • Up to date Financial Regulations • Up to date Anti-Fraud & Corruption Strategy • Segregation of duties – between officers procuring new equipment and those disposing of assets • Internal Audit reviews • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Acquisition and Disposal policy adopted November 2021 • Gifts and Hospitality policy approved February 2025 • Whistleblowing policy approved February 2025 • <u>Information Security Management System policies (IS01) are in place</u> • <u>Devices are encrypted so are unusable for any other purpose than Council business</u>
ACTIONS	<ul style="list-style-type: none"> • Asset inventory verification to staff by June 2026
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN
TARGET RISK	
CURRENT RISK	

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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	X				X		

FRAUD RISK	EMPLOYMENT (RECRUITMENT FRAUD)
Risk Owner	Business Manager – HR
FRAUD TYPES	<ul style="list-style-type: none"> • False identity • Immigration (no right to work or reside) • False qualifications • Failing to disclose previous convictions • Non-disclosure of double job • Human trafficking
CONTROLS	<ul style="list-style-type: none"> • Declaration to comply with the Council’s Code of Conduct for all new starters at appointment stage • All managers trained in HR policies around recruitment and selection incorporating DBS Code of practice and safeguarding requirements where appropriate • Pre-employment checks by HR including identity verification, right to work in the UK and required qualifications • References sought on all external appointments from referees and appointments subject to verification • Request to see copies of new starters’ bank statements to satisfy ourselves that monies paid are receipted into their accounts • DBS checks completed for appropriate posts • ICT solution implemented <u>for applications</u> and new recruitments completed via this method • Onboarding process includes check on other employment • Recruitment manager training available on the Intranet • Check proof of National Insurance number
AGREED ACTIONS	<ul style="list-style-type: none"> • <u>Provide guidance for Managers around recruitment by June 2026</u> • <u>Enhance appointment process to include a declaration around second jobs by June 2026</u>
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN
TARGET RISK	
CURRENT RISK	
X	X

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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

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FRAUD RISK	EMPLOYMENT (PAYMENT FRAUD)
Risk Owner	Business Manager – HR Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Creation of non-existent employees (ghost) • Unauthorised changes to payroll • Redirection or manipulation of payments • False sickness claims • Not working required hours or undertaking required duties • False declarations of mileage or overtime • False supporting documentation • Breaches of authorisation and payment procedures • Abuse of time
CONTROLS	<ul style="list-style-type: none"> • Officer code of conduct in place and declared by all employees which details expected behaviours, corporate policies and potential penalties of wrongdoing. • Payments made in accordance with Financial Regulations • Anti-Fraud & Corruption Strategy updated December 2024 • Separation of duties between HR, Payroll & Business Managers • Contract and Job description detail post holder requirements in respect of their role • Access controls on HR/Payroll system • Management supervision & authorisation of claims • Budgetary control devolved to budget managers and monitored on a monthly basis • Exception reports produced and reviewed by payroll on a monthly basis • Audit trail/personal logins on all systems

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	<ul style="list-style-type: none"> • Any employee changes authorised by relevant Director/Business Manager • Reconciliation of payroll to BACS payments • Probationary periods to ensure suitability in role • Medical certification for sickness and a robust policy to manage attendance • Training for managers on disciplinary, capability and attendance manager processes and refresher training provided when required • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • IR35 assessments in place and regular reminders/refreshers sent to all managers on the engagement of agency workers and consultants • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025 • Annual audit of use of flexi time. Investigate exceptions to standard policy • Multi factor authentication on Payroll system for staff. Bank account changes can only be affected in the system – those requested outside of the system are verified with the person requesting.
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AGREED ACTIONS	<ul style="list-style-type: none"> • Training delivered to managers around attendance by December 2026 • Reminder to managers on approving overtime hours and flexi-time by June 2026
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CURRENT RISK SCORE	GREEN
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TARGET RISK SCORE	GREEN
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TARGET RISK				CURRENT RISK			
				X			
X							

FRAUD RISK	INSURANCE FRAUD
Risk Owner	Business Manager – Public Protection
FRAUD TYPES	<ul style="list-style-type: none"> • False insurance claims • Duplicate or serial claims • Fraudulent insurance payments
CONTROLS	<ul style="list-style-type: none"> • Small excess on policy, ensuring external claims handlers review each claim individually • External claim handlers have specialist software to identify fraudulent claims • Anti-Fraud & Corruption Strategy updated December 2024 • monitor prior year information and match against new claims – highlighted onto external claims handlers

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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	<ul style="list-style-type: none"> • Notification of regional and national trend information passed from insurers and brokers through Risk Management Group meetings • Counter-fraud page on website detailing how public can report fraud • Letter included within insurance pack when sent through to claimant detailing their responsibilities regarding fraudulent claims • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Risk Management fund funding schemes to mitigate fraudulent claims • Two level authorisation scheme for payments • Permanent insurance officer recruited July 2022 • Whistleblowing policy approved February 2025 • All insurance operations are now coordinated through one central team • <u>FIT training successfully completed by Insurance officer</u> • <u>CII certificate training in progress – one third complete for Insurance Officer</u> • <u>Maintain details of all historic claims, hence new claims are reviewed against this</u> 			
AGREED ACTIONS	n/a			
CURRENT RISK SCORE	GREEN			
TARGET RISK SCORE	GREEN			
	TARGET RISK		CURRENT RISK	
	X		X	

FRAUD RISK	MONEY LAUNDERING
Risk Owner	Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Using the Council to hide improper transactions – possible links to organized crime
CONTROLS	<ul style="list-style-type: none"> • Up to date Anti-Money Laundering policy • Up to date Financial Regulations • Cash receipts over £1,500 reported to MLRO • Cashless offices • Legal checks on Right to Buy purchases • Checks on source of credit balances prior to issuing refunds on NNDR and Council Tax and rents

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	<ul style="list-style-type: none"> All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement Whistleblowing policy approved February 2025 																																
AGREED ACTIONS	n/a																																
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FRAUD RISK	ELECTORAL FRAUD (ELECTIONS)
Risk Owner	Business Manager – Democratic Services
FRAUD TYPES	<ul style="list-style-type: none"> Fraudulent voting (including postal votes) Fraudulent acts by poll clerks & presiding officers at polling stations Fraudulent acts by postal vote opening staff Fraudulent acts by verification / count staff Fraudulent acts by Political parties / candidates
CONTROLS	<ul style="list-style-type: none"> Integrity Plan in place for electoral registrations Anti-Fraud & Corruption Strategy updated December 2024 Supervisory roles identified at counts and senior staff appointed to these Postal votes opening sessions are supervised with controls in place to oversee process Access controls at polling stations & counts Ballot box controls around security of the box Ballot paper accounts checked as part of verification process Pre-employment checks on recruited staff Counter-fraud page on website detailing how public can report fraud Dedicated SPOC at Nottinghamshire Police who would be informed of possible issues with fraud Full training of all staff in face to face roles in accordance with Electoral Commission guidance and statutory regulations Issue all candidates guidance on their role in postal voting Briefing to all candidates and agents ahead of elections Whistleblowing policy approved February 2025 Provision of voter ID checks now established New regulations in place to restrict postal vote returns Cyber security control measures in place

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

X				X			

FRAUD RISK	DEVELOPMENT MANAGEMENT
Risk Owner	Business Manager – Development Management Business Manager – Planning Policy
FRAUD TYPES	Corruption and collusion including: <ul style="list-style-type: none"> • Inducements • Conflict of interest/bribery • Planning - S106, affordability and other areas where officers are checking compliance & fines issued etc • Using Planning Process to increase land values • False representation
CONTROLS	<ul style="list-style-type: none"> • Senior officer determination of all planning applications (post case officer work) • Senior Officer one to one discussions with all case officers regarding cases • Open & visible process of all cases open to Team leaders & peers • Planning Committee is a public meeting and hence allows public scrutiny (inclusive of allowing public speaking from 9th May 2024) • Report for all applications and pre-application advice with explanation of grant or refusal determined by Senior Officers. All planning application reports are then published (not pre-applications) externally • Reconciliation of all planning related (including pre-application) fees & charges to the General Ledger • Reconciliation of Land charges fees to the General Ledger • Reconciliation of Street naming and numbering to the General Ledger • Regular meetings with accountant, to monitor and sense check income • Separation of duties in the fee procedure (receipting, banking, planning application) • System flag for duplicated applications

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

	<ul style="list-style-type: none"> • Audit trail on fee income • Enforcement action-reporting & sign off by Senior officer and different officer to the officer investigating • Section 106 – separation of duties, legal agreement, triggers for payment monitored, monitoring group, reconciliation and Officer recommendations based on “CIL regulation 123 tests” • Regular review and update of Constitution including Members conduct re planning • Anti-Fraud & Corruption Strategy updated December 2024 • Code of Conduct (officers & Members) • Counter-fraud page on website detailing how public can report fraud • Ombudsman review of approach to planning determinations • Judicial review challenges by interested parties on points of law • All refunds where the application has been made through the Planning portal, to be refunded through that process, where all other refunds will require an image from the bank account to show originating bank details. These are all authorised by a Senior Officer. • Gifts and Hospitality policy approved February 2025 • Whistleblowing policy approved February 2025 • Counter fraud training recapped with all planning staff July 2022 • Spot checks of enforcement cases in place monthly from July 2022 • Refresh of Counter fraud training to Planning team by July 2025 																																
ACTIONS	<u>Review of Scheme of Delegation and Planning Protocols by July 2026</u>																																
CURRENT RISK SCORE	GREEN																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

FRAUD RISK	ECONOMIC & THIRD SECTOR FRAUD																																		
Risk Owner	Business Manager – Financial Services																																		
FRAUD TYPES	Any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organization: <ul style="list-style-type: none"> ○ Fake applications ○ Collusion 																																		
CONTROLS	<ul style="list-style-type: none"> • Substantiate authenticity of application via internal and external sources • Grant eligibility criteria considered before award • Anti-Fraud & Corruption Strategy updated in December 2024 • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Application process for non Direct Debit Council Tax payers, which will check to Revenues system to agree the liable person. • Prepayment checks to spotlight to ensure that liable person at correct address agrees to the bank account details quoted on application • Bank statements to be reviewed in exception circumstances • Whistleblowing policy approved February 2025 																																		
ACTIONS	n/a																																		
CURRENT RISK SCORE	GREEN																																		
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TARGET RISK		CURRENT RISK																																	
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

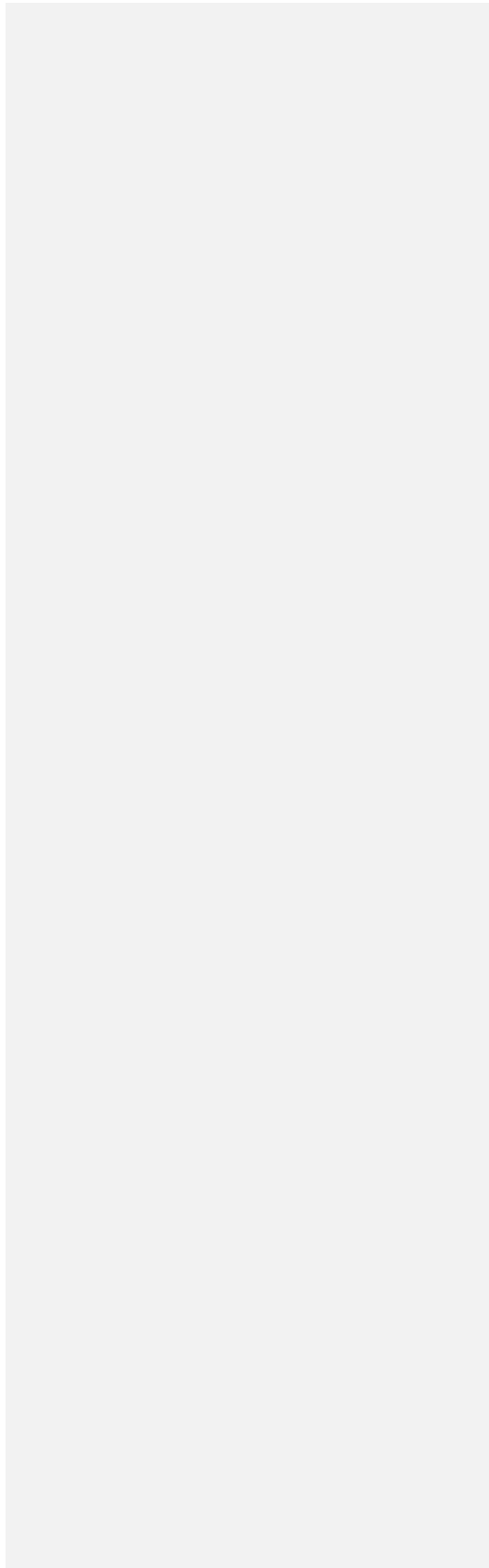
FRAUD RISK	HOUSING FRAUD
Risk Owner	<ul style="list-style-type: none"> • Director – Housing, Health and Wellbeing • Business Manager - Housing and Estates Management • Assistant Business Manager – Housing and Estate Management
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent housing application - false or omitted information • False homelessness applications – false or omitted information • Fraudulent succession or assignment • Unlawful sub-letting • Not using property as main or principle home • Right to Buy - fraudulent application, valuation, etc.
CONTROLS	<ul style="list-style-type: none"> • Participation in the National Fraud Initiative through supply and matching of application, tenancy and Right to Buy data • Robust consideration and investigation into Right to Buy applications; a joint approach is adopted between officers where fraud is suspected • Supporting information requirements at application and offer stage – such as proof of identification, proof of residency and medical evidence • Internal application verification and checking process to check for previous tenancies and former tenancy debt • Tenants are made aware at sign up of their obligations regarding their tenancy agreement and by signing the tenancy agreement show they understand the consequences of being in breach of this • Photographs are taken at sign-up and stored on the in-house management system and reviewed as part of the "Getting to know you visit" • "Getting to know you visit" programme provides an ongoing detection and prevention of tenancy fraud through, checking, verifying and updating records of tenants and occupants through risk based approach with a minimum of visits every four years • A culture has been developed where all staff are empowered to report cases where they suspect tenancy fraud • If allocation of home to a Council officer, this is approved by the Business Manager – Housing Services • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Experienced, well trained staff carrying out allocations and front line service delivery • Excellent working relationships with agencies who can support with the identification of actions to address tenancy fraud and/or unlawful occupation of properties • Relationship developed between Housing and Revenues and Benefits staff to assist in the detection of fraud • Annual number of sub-letting reports included within performance monitoring framework • Verification of tenants details on the Universal Credit landlord portal • Publication in rent statement insert regarding tenancy fraud – encouraged tenants to report where appropriate
ACTIONS	<p><u>Review reports from new Housing Management System in relation to allocation of homes by September 2026</u></p>

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2026)

Complete a census of all housing tenants by 31 March 2027																																									
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FRAUD RISK	FRAUDULENT USE OF COUNCIL ASSETS																																								
Risk Owner	All Directors and Business Managers																																								
FRAUD TYPES	<ul style="list-style-type: none"> • Theft of assets and equipment • Sale of assets and equipment 																																								
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations updated May 2025 • Anti-Fraud & Corruption Strategy in place and updated December 2024 • Guidance for Dealing with Irregularities updated December 2024 • Management controls • Induction process • Security policy • User reports e.g. internet, telephone • Internet use policy • Access controls • Software audit facility • Code of conduct • Inventory checks • Complex passwords • Separation of duties • Staff counter-fraud training • Counter Fraud section on intranet • All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025 																																								
ACTIONS	n/a																																								
CURRENT RISK SCORE	GREEN																																								
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**NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK
ASSESSMENT (APRIL 2026)**





Report to: Audit & Accounts Committee Meeting 22 April 2026
 Director Lead: Sanjiv Kohli, Deputy Chief Executive/Director of Resources (S151 Officer)
 Lead Officer: Dave Richardson, Business Manager – ICT & Digital Services

Report Summary	
Report Title	Update on the LGA Newark and Sherwood District Council Cyber 360 Report
Purpose of Report	To present the updated results of LGA Newark and Sherwood District Council Cyber 360 Report
Recommendations	Members review, comment upon and note the update on the LGA Newark and Sherwood District Council Cyber 360 Report
Reason for Recommendation	To provide Members with details and assurance from the LGA Newark and Sherwood District Council Cyber 360 Report

1.0 Background

- 1.1 The Local Government Association piloted Cyber 360 (C360s) peer reviews with several Local Authorities to ensure Cyber and information Security governance and culture is being understood and adequately resourced. The Cyber 360 Action Plan is not in the public area of the open report for security reasons and are held in the exempt version.
- 1.2 At the September 2023 Audit & Governance Committee the ICT & Digital Services Business Manager provided an update on the Cyber360 action plan and assurance that we are addressing any areas of cyber risk.
- 1.3 A Cyber360 action plan has been commissioned off the back of the report and regularly updated by the Corporate Information Governance Group (CIGG). Therefore, the updates to this committee will be provided by exception, on request or at least on an annual basis.

2.0 Proposal /Options Considered

- 2.1 The Cyber360 action plan is complete, with all 24 actions finished and documented.
- 2.2 It is important to note the significant risk posed by cyber security threats and potential cyber attacks to the Council. In recognition of this ongoing risk, updates regarding cyber security measures, incidents, and mitigation actions will be

provided at every meeting of the Audit and Accounts Committee to ensure continued oversight and prompt response to emerging issues.

2.3 Officers will shift their focus toward the ongoing assurance programme for the information security management system (ISMS) and continue their efforts on the Cyber Assessment Framework (LG CAF).

2.4 The report will be retitled as Information and Cyber Security Update and presented to the Audit and Accounts Committee on the LG CAF and ISMS programme at each meeting. Members will also receive updates and risk mitigation information during future phases of Local Government Reorganisation.

3.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Do not delete this paragraph. Add in your implication paragraphs below.

Implications Considered			
Yes – relevant and included / NA – not applicable			
Financial	NA	Equality & Diversity	NA
Human Resources	NA	Human Rights	NA
Legal	NA	Data Protection	NA
Digital & Cyber Security	NA	Safeguarding	NA
Sustainability	NA	Crime & Disorder	NA
LGR	NA	Tenant Consultation	NA

Do not delete this table.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Do not delete this paragraph. Insert a list of any background papers below or the word 'None' if there aren't any. Any documents that contain confidential information or personal information about individuals should not be included in this list.

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Work Programme for Audit & Accounts Committee

8 JULY 2026			
Report Title/Topic	Responsible Officer & Business Unit	Exempt Information included (Yes/No)	Comments and Movement
Internal Audit Progress Report 2026/27	Phil Lazenby (TIAA Ltd)		
External Auditors Progress	Mark Surrige (Mazars)/Nick Wilson		
Strategic Risk Management	Richard Bates		Previous report went in December 2025 (to update on a 6 monthly basis)
LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	Yes	
Annual Review of Exempt Items	Nick Wilson		

23 SEPTEMBER 2026

Report Title/Topic	Responsible Officer & Business Unit	Exempt Information included (Yes/No)	Comments and Movement
Internal Audit Progress Report 2026/27	Phil Lazenby (TIAA Ltd)		
External Auditors Progress	Mark SurrIDGE (Mazars)/Nick Wilson		
LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	Yes	

Work Programme for Audit & Accounts Committee



9 DECEMBER 2026			
Report Title/Topic	Responsible Officer & Business Unit	Exempt Information included (Yes/No)	Comments and Movement
Internal Audit Progress Report 2026/27	Phil Lazenby (TIAA Ltd)		
External Auditors Progress	Mark SurrIDGE (Mazars)/Nick Wilson		
Audit and Accounts Committee Annual Report	Nick Wilson		
LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	Yes	

3 MARCH 2027

Report Title/Topic	Responsible Officer & Business Unit	Exempt Information included (Yes/No)	Comments and Movement
Internal Audit Progress Report 2026/27	Phil Lazenby (TIAA Ltd)		
External Auditors Progress	Mark Surrige (Mazars)/Nick Wilson		
Strategic Risk Management	Richard Bates		Previous report went in December 2025 (to update on a 6 monthly basis) then taken to 8 July 2026
LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	Yes	

21 APRIL 2027

Report Title/Topic	Responsible Officer & Business Unit	Exempt Information included (Yes/No)	Comments and Movement
Internal Audit Progress Report 2026/27	Phil Lazenby (TIAA Ltd)		
External Auditors Progress	Mark Surrige (Mazars)/Nick Wilson		
LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	Yes	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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