NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
Great North Road
Newark
NG24 1BY

Tel: 01636 650000
www.newark-sherwooddc.gov.uk

Tuesday, 16 April 2024

Chair: Councillor P Harris
Vice-Chair: Councillor S Forde

Members of the Committee:

Councillor R Cozens
Councillor A Freeman
Councillor J Hall
Councillor S Haynes
Councillor J Kellas
Councillor J Lee
Councillor S Michael
Councillor C Penny
Councillor M Shakeshaft
Councillor T Thompson

MEETING:	Audit and Governance Committee
DATE:	Wednesday, 24 April 2024 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

		Page Nos.
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 21 February 2024	3 - 9
5.	Internal Audit Progress Report 2023/24	10 - 18
6.	External Auditors Annual Draft Audit Completion Report	19 - 51
7.	Ethical and Fossil Fuel Investments	52 - 54
8.	Strategic Risk Management	55 - 82
9.	Statement of Accounting Policies 2023/2024	83 - 100
10.	Underlying Pension Assumptions for 2023/2024 Statement of Accounts	101 - 154
11.	Underlying Valuation Assumptions for 2023/2024 Statement of Accounts	155 - 208
12.	Annual Review of the Council's Constitution	209 - 211
13.	Review of Arrangements for dealing with Code of Conduct Complaints regarding Councillors	212 - 214
14.	Update on LGA Newark and Sherwood District Council Cyber 360 Report	215 - 216
15.	Audit and Governance Committee Work Plan	217 - 222
16.	Exclusion of the Press and Public 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.	
17.	Update on the LGA Newark and Sherwood District Council Cyber 360 Action Plan	223 - 227
18.	Date of Next Meeting - Wednesday 3 July 2024	
19.	Chair for July meeting of Audit & Governance Committee in the event Chair and Vice Chair unavailable	

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit and Governance Committee** held in the Civic Suite, Castle House, Great North Road, Newark, NG24 1BY on Wednesday, 21 February 2024 at 6.00 pm.

PRESENT: Councillor P Harris (Chair)
Councillor S Forde (Vice-Chair)

Councillor R Cozens, Councillor A Freeman, Councillor J Hall, Councillor S Haynes, Councillor J Kellas, Councillor J Lee and Councillor C Penny and Mr C Richardson (Non-Voting Co-Optee)

APOLOGIES FOR ABSENCE: Councillor S Michael, Councillor M Shakeshaft and Councillor T Thompson

43 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.

44 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.

45 MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2023

AGREED that the minutes of the meeting held on 22 November 2023 be approved as a correct record and signed by the Chair.

46 BUDGET REPORTS 2024/25

The Committee considered the report from the Business Manager for Financial Services providing Members with attached reports for approval at Cabinet on 20 February 2024:

General Fund Revenue Budget 2024/25
General Fund Medium Term Financial Plan 2024/25 – 2027/28
Capital Programme 2024/25 – 2027/28.

The report informed the Committee that the 3 reports had been presented to Cabinet the night before, to then take to Full Council on 7 March.

The Committee discussed the Budget reports, noting that any comments could not be referred back to Cabinet, however there would be an option to debate at Full Council.

AGREED, with Members voting 8 For and 1 Abstention, in having received and noted the reports that were presented to Cabinet on 20 February 2024.

47 ANNUAL INTERNAL AUDIT PLAN

The Committee considered the report from the Business Manager for Financial Services, presenting the proposed Internal Audit Plan to the Committee for approval, in order for the Council to gain the relevant assurances throughout the 2024/25 financial year.

Any changes to the plan during the year will be agreed with the Business Manager for Financial Services and subsequently notified to the Audit and Governance Committee.

All Members of Committee, Portfolio Holders and the Council's Senior Leadership Team were to be invited to a Risk Workshop; it was proposed that rather than approve the Internal Audit Plan at the meeting, it should be reviewed at the Workshop taking into account findings at the Workshop in relation to risk.

AGREED (unanimously) that Members noted the report subject to detailed discussion at the Risk Workshop, any amendments to be delegated to S151 Officer and reported back to the Audit & Governance Committee.

48 INTERNAL AUDIT PROGRESS REPORT 2023/24

The Committee considered the report from Philip Lazenby, Director of Audit (TIAA) providing a summary of Internal Audit work undertaken during 2023/24 against the agreed audit plan.

The Audit Plan for 2023/24 had been agreed at the Audit & Governance Committee in April 2023 and then throughout the year reports on the progress made and changes to the plan are then taken to the Audit & Governance Committee.

The Committee discussed the report containing details of all reports issued within the first part of the financial year 2023/24, including the rolling strategic plan and to consider in the next financial year.

AGREED (unanimously) that Members considered and commented upon the latest internal audit progress report and noted its content.

49 EXTERNAL AUDITORS ANNUAL DRAFT AUDIT COMPLETION REPORT

The Committee considered the report from the Business Manager for Financial Services presenting the External Auditor's Draft Annual Audit Completion Report for Newark and Sherwood District Council for 2022/23.

The representative from Mazars, Mark Surridge, present at the meeting had provided at Appendix A of the Auditor's Annual Report a summary of the work carried out by the External Auditors as the auditor for the Council for year ending 31 March 2023.

AGREED (unanimously) that:

a) Members received and noted the External Auditors Draft Annual Audit Completion Report for 2022/23; and

b) Members noted the adjustments to the draft audited financial statements set out in the report.

50 APPROVAL OF THE STATEMENT OF ACCOUNTS

The Committee considered the report from the Business Manager for Financial Services to obtain approval of the Council's Statutory Accounts for the financial year ended 31 March 2023.

The Assistant Business Manager for Financial Services informed Members that this would be the final version of the Statement of Accounts, having brought the draft to the Audit & Governance Committee on 14 June 2023.

AGREED (unanimously) that:

a) Members approved the Annual Governance Statement for the financial year ended 31 March 2023;

b) Members approved the Draft Audited Statement of Accounts for the financial year ended 31 March 2023;

c) Members gave delegation to the Deputy Chief Executive/Director of Resources – S151 Officer and the Chairman to sign a revised set of accounts if required as per paragraph 3.5;

d) Members gave delegation for the Deputy Chief Executive/Director of Resources – S151 Officer and the Chairman to sign the Management Letter of Representation as per the paragraph 3.8; and

e) Members gave delegation to the Leader of the Council and the Chief Executive to sign the Annual Governance Statement as per paragraph 3.10.

51 PROJECTED GENERAL FUND AND HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN REPORT TO 31 MARCH 2024 AS AT 31 DECEMBER 2023

The Committee considered the report from the Business Manager for Financial Services updating Members with the forecast outturn position for the 2023/24 financial year for the Council's General Fund and Housing Revenue Account revenue and Capital Budgets, to show performance against the approved estimates of revenue and capital expenditure and income.

The report provided the expected outturn at Quarter 3, referring to Table 1 on page 301 of the agenda.

AGREED (unanimously) that Cabinet:

a) noted the General Fund projected favourable outturn variance of £0.636m;

b) noted the Housing Revenue Account projected favourable outturn variance of

£0.025m to the Major Repairs Reserve;

c) noted the Capital Programme revised budget and financing of £69.564m; and

d) noted the Prudential indicators at Appendix A.

52 TREASURY MANAGEMENT STRATEGY 2024/25

The Committee considered the report from the Business Manager for Financial Services 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 (unanimously) that the Committee approved each of the following key elements and recommended these to Full Council on 7 March 2024 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Treasury Management Strategy 2024/25, 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.

53 CAPITAL STRATEGY 2024/25

The Committee considered the report from the Business Manager for Financial Services seeking Committee approval to the Capital Strategy 2024/25, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

AGREED, with Members voting 8 For and 1 Against approving each of the following key elements and recommended these to Full Council on 7 March 2024 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Capital Strategy 2024/25 Appendix A.
- The Capital Prudential Indicators and Limits for 2024/25, 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.

54 INVESTMENT STRATEGY 2024/25

The Committee considered the report from the Business Manager for Financial Services providing the Investment strategy for 2024/25, meeting the requirements of statutory guidance issued by the Department of Levelling Up, Housing and Communities DLUHC (previously MHCLG) Investment Guidance in January 2018.

AGREED (unanimously) that the Committee approved each of the following key elements and recommended these to Full Council on 7 March 2024 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Investment Strategy 2024/25 Appendix A.
- The Investment Prudential Indicators and Limits for 2024/25, contained within Appendix A.

55 HOUSING OMBUDSMAN ANNUAL REVIEW UPDATE

The Committee considered the report from the Business Manager for Customer Services informing Members of the Housing Ombudsman Annual Review report.

The Assistant Director Legal & Democratic Services, Monitoring Officer, introduced the report, referring the Committee to Section 3. The Chair commenting that it was a positive outcome.

AGREED (unanimously) that Members noted the report.

56 GIFTS AND HOSPITALITY ANNUAL REPORT

The Committee considered the report from the Assistant Director Legal & Democratic Services, Monitoring Officer providing an annual report to update the Committee on the implementation of the Council's Gifts and Hospitality policies.

The Chair noted that some gifts are declined, whilst smaller gifts are accepted and therefore reasonable. The Assistant Director Legal & Democratic Services, Monitoring Officer, advised that there would be a reissuing of the guidance.

Councillor Lee requested a copy of the registers be made available in advance of the meeting.

AGREED (unanimously) that Members noted the report and that the Committee includes an annual review of the operation of the Council's Gifts and Hospitality arrangements in the Committee's Work Plan.

57 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) ANNUAL REPORT

The Committee considered the report from the Assistant Director Legal & Democratic Services, Monitoring Officer reporting to the Committee:

i. Activity by the Council under RIPA from 2023 to date
ii. An update on training for officers

The report informed the Committee that this report is provided annually and that refresher training for officers is anticipated to be delivered in Autumn 2024.

AGREED (unanimously) that Members noted the report.

58 WHISTLEBLOWING POLICY ANNUAL REPORT

The Committee considered the report from the Assistant Director Legal & Democratic Services, Monitoring Officer providing an annual report to update the Committee on the implementation of the Council's Whistleblowing Policy.

Members were reminded that the Council's Whistleblowing Policy was last updated in 2023 following a review by the Committee. The Monitoring Officer informing Members that no whistleblowing concerns had been recorded in the past year.

AGREED (unanimously) that Members noted the report, that the Committee includes an annual review of the operation of the Council's Whistleblowing Policy in the Committee's Work Plan and that an awareness raising exercise be undertaken during the next year.

59 REVIEW OF SIGNIFICANT ISSUES IN THE ANNUAL GOVERNANCE STATEMENT

The Committee considered the report from the Assistant Director Legal & Democratic Services, Monitoring Officer providing an update to Members of the Audit & Governance Committee on the significant governance issues identified in the Annual Governance Statement.

The report explained that after the District Council election in May last year and a change in the Council's membership, an induction and training programme was delivered to all Councillors, with training and development remaining on the work programme for the Audit & Governance Committee.

The Local Government Association also delivered a development session for the Council's leadership in December 2023. This included Portfolio Holders, Chairs and Vice Chairs, with the Officer Senior Leadership Team joining for the second part of the session.

AGREED (unanimously) that Committee noted the results of the review of significant governance issues as identified in the Annual Governance Statement.

60 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 report writer was not able to attend the meeting, therefore any Members who had a question for the open and/or the exempt report could contact the Business Manager for ICT & Digital Services to provide a response.

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

61 AUDIT AND GOVERNANCE COMMITTEE WORK PLAN

The Committee considered the joint report of the Assistant Director Legal & Democratic Services and Monitoring Officer and the Business Manager for Financial Services which attached the Committee's Work Plan for consideration.

Both the Chair and the Vice-Chair informed the meeting that they would be giving their apologies for the 3 July 2024 meeting and that therefore a Chair be elected at the April meeting in preparation.

The Vice-Chair reminded the Committee that Councillor Melton had requested a report go to Audit & Governance Committee on Ethical and Fossil Fuel Investments, as also Councillor Lee requested a report linked to this on Pensions.

AGREED (unanimously) that the Work Plan be noted.

62 DATE OF NEXT MEETING

The next Audit & Governance Committee meeting to be held on Wednesday 24 April 2024.

Meeting closed at 7.27 pm.

Chair

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
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 Progress Report 2023/24
Purpose of Report	To provide a summary of Internal Audit work undertaken during 2023/24 against the agreed audit plan
Recommendations	That the Audit & Governance Committee consider and comment upon the latest internal audit progress report and note its content.
Reason for Recommendation	In order to understand the internal audit work undertaken throughout the 2023/24 financial year and how this impacts on the Council's overall Governance framework.

1.0 Background

1.1 The Audit Plan for 2023/24 was agreed at the Audit and Governance Committee in April 2023. Throughout the year reports on the progress made and changes to the plan are then brought to this committee.

1.2 The report contains details of reports issued in the last quarter together with a summary of all reports considered this financial year.

2.0 Proposals

2.1 To receive and comment upon the Internal Audit Progress Report 2023/24 and note its content.

Background Papers and Published Documents

NIL

Internal Audit

Draft

tiaa

Newark & Sherwood District Council

Summary Internal Controls Assurance (SICA) Report

2023/24

April 2024

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Newark and Sherwood District Council as at 08/04/2024.

Future of Internal Audit (IA)- Digital drivers

Use of Data analytics by TIAA

2. TIAA is always adopting new ways of working and methodologies including innovative approaches for delivering internal audits. This is part of our continuous improvement programme which facilitates improvements in efficiency, effectiveness, and the quality of the work we deliver. We currently use data analytics as part of our work in relevant areas to test against full data sets, spot hidden risks, to target our testing and to provide 'proof in total' assurance; this adds credibility and value to the reports we produce. Data Analytics helps us to analyse large volumes of data to identify trends, patterns, and anomalies that may indicate potential risks or opportunities for improvement.

How will Artificial Intelligence (AI) enhance the delivery Internal Audit of the future?

3. We believe that the way internal audits are delivered will change significantly in the next 3 to 5 years through the use of AI, through the use of auditing tools which contribute towards a process of continuous audit assurance, a wider use of predictive analytics to allow auditors to provide reports that are far more forward looking, and robotic process automation which will help remove much of the manual data collection work, thereby allowing Internal Audit more time to provide value-added analysis. Another branch of AI, Natural Language Processing (NLP), has the potential of also enabling auditors to analyse text in a large number of documents.

4. In addition to the use of Data Analytics, TIAA is actively exploring, as part of our vision for the future, the use of AI, automation and other digital tools to streamline the audit process, inform planning, reduce manual effort, and enhance the quality of audit results. Automated data collection and analysis will help reduce the time required to complete audits and improve the accuracy and consistency of audit results. Innovative ways of using and integrating artificial Intelligence in the delivery of audits in response to the exponential growth in data, and how it is analysed and used in the context of Internal Audit, is part of TIAA's innovation strategy. We will also as part of our strategy be investigating more opportunities to not only use AI, but also to develop the capabilities to audit AI and the associated ethical considerations.

Audits completed since the last SICA report to the Audit Committee

5. Assurance framework was undertaken as consultancy with audit committee presentation and training provided.

Progress against the 2023/24 Annual Plan

6. Our progress against the Annual Plan for 2023/24 is set out in Appendix A.

Progress in actioning priority 1 & 2 recommendations

7. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. There was a total of 128 recommendations on the rec tracking system, of which 111 have been completed. A further 5 have been partially completed although not yet due, and of the remaining recommendations, 5 are overdue have not been started and have revised due dates and 8 are overdue and outstanding with no management update. Details of overdue and outstanding recommendations are set out in Appendix B.

8. **Frauds/Irregularities**

9. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Responsibility/Disclaimer

10. 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. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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.

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Key Control Testing	2	Final	Audit report issued
Payroll	3	Final	Audit report issued
Financial resilience	2	Final	Audit report issued
Grant Fund Spend and administration	2	Final	Audit report issued
Contractual relationship with active 4 Today	2	Final	Audit report issued
Gilstrap	4	Final	Audit report issued
ICT assurance cyber security/ incident management	4	Sent to internal admin for issue as draft 08/04/2024	
Assurance Framework	4	Final	Risk Presentation provided
Treasury Management	4	Draft sent to internal admin for issue	Exit meeting held 28/03/2024
Workforce planning	4	Draft sent to internal admin for issue	Exit Meeting Held 08/04/2024
Corporate and Commercial property Health and safety compliance	2	Testing Complete	Report being drafted
Complaints Process	3	Site work commenced	Awaiting Evidence for testing
Housing Regulatory Compliance	4	Site work commenced	Awaiting Evidence for testing
Housing Voids	3	Site work commenced	Postponed to 01/05/2024
Delivery of corporate projects	4	Site work commenced	Key Contact on Annual Leave, awaiting evidence for testing
Mansfield Crematorium	4	To be commenced	Start date agreed as week Commencing 22/04/2024

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued

Priority 1, 2 and 3 Recommendations

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
TPR-2223 ICT-Applications						
A timeline is established for the implementation of multi factor authentication for the Concerto application.	2	*The Council is working with the supplier, Concerto, and would expect implementation of either IP restriction or the introduction of Multi Factor Authentication by October 2023.*	*31/10/24* *Revised date* *30/06/24*	*ICT & Digital Services Business Manager*	*Conversations continue with the supplier to book a scheduled date for implementation. This is anticipated within the next 12 weeks.*	
TPR-2223 Planning Applications (Decision making)						

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
The approving officer field should be mandatory	2	*The requirement for an approving officer to be mandatory before a decision is issued is agreed will be investigated. This will be implemented by the date given if it then does not become a requirement for historic applications to also have the approving officer added when researching planning history.*	*31/5/2023* *Revised date* *01/05/2024*	*Senior Planner*	*The requirement for an authorising officer to be mandatory within the software before a decision is issued will be required for decisions made on or after 1st May 2024. This will be kept under review to establish whether it results in a requirement for any historic (i.e. before 1st May 2024) applications to also have the authorising officer (and date of issue) completed. Should this be the case, consideration will be given to batch completing any incomplete fields by the software supplier (subject to cost vs benefit). Should the cost be prohibitive, the requirement for completing these two fields will be investigated as part of the planning software procurement.*	
23/24 Contractual relationship with Active4Today						
It is recommended that all relevant documents be sufficiently signed and approved including the contract and SLAs.	2	*The contract between Active4Today and NSDC has been agreed but it is recognised that this does not have a formal signature. It is proposed that a review of the contract is undertaken to ensure there have been no changes and once complete the contract should be signed and sealed. A significant amount of work has gone in to delivering consistency across SLA's. All SLA's are to be signed by 1st April 2024 with an agreement and schedule of works in place. Responsibility will sit with the MD of Active for today with oversight by the BM Regeneration and Housing Strategy at quarterly compliance meeting.*	*01/04/24* *Revised date* *Contract will be signed and sealed by 30/06/24* *Current year SLAs will be signed and returned by 30/06/24*	*Assistant Director Legal & Demo Serv. Man Dir Active4 Today. BM Regeneration and Housing Strategy.*	*The MD for Active4Today would like SLAs to be presented in time to inform budgets. Total 14 SLAs some variable and some fixed (subject to inflation), 2025-26 SLAs will be signed off November 2024.*	

Agenda Page 17

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
It is recommended that the council and Active 4 today maintain a close working partnership to enable open discussions regarding financial viability of the organisation and mitigating potential long-term impacts on the service provision delivered by Active4today.	2	*The compliance meeting and performance reporting arrangements between the council and Active4Todays management team on a quarterly basis provide for open and frank discussion on the financial viability of the company. A request from NSDC to Active to provide financial information in a revised format has now been actioned.*	*13/2/2024 Revised date 30/11/24*	*BM Regeneration and Housing Strategy.MD Active4 Today.*	*Quarterly meetings are in place but don't always align to reporting cycles for financials for performance/income & expenditure etc. Working with A4T to introduce 3 year forecast MTFP. Date has been amended to align with budget setting.*	

KEY:

Priority Gradings (1 & 2)

1	URGENT	Fundamental control issue on which action should be taken immediately.
2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.

Risk Mitigation

CLEARED	Internal audit work confirms action taken addresses the risk exposure.
ON TARGET	Control issue on which action should be taken at the earliest opportunity.
EXPOSED	Target date not met & risk exposure still extant

Agenda Page 18

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
Director or Business Manager Lead:	Sanjiv Kohli, Deputy Chief Executive, Director of Resources and S151 Officer
Lead Officer:	Nick Wilson, Business Manager – Financial Services 01636 655317

Report Summary	
Report Title	External Auditors Annual Draft Audit Completion Report
Purpose of Report	To present the External Auditor's Final Annual Audit Completion Report for Newark and Sherwood District Council for 2022/23.
Recommendations	Members receive and note the External Auditors Final Annual Audit Completion Report for 2022/23. Members note the adjustments to the audited financial statements set out in the report.
Reason for Recommendation	To ensure that the Committee discharges its responsibilities as per its delegated authority within the Councils constitution.

1.0 Background

1.1 The external auditor issues an Annual Audit Completion Report (ACR) in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor's opinion on the Statement of Accounts.

2.0 Statement of Accounts

2.1 The ACR confirms that the external auditor anticipates issuing an unqualified opinion of the 2022/23 Statement of Accounts. Approval of the Statement of Accounts by this Committee was delegated to the Deputy Chief Executive/Director of Resource – S151

Officer and the Chairman of the Audit and Governance Committee at the meeting of this Committee on 21st February 2024.

2.2 This report asks the Committee to:

- consider the matters raised in the External Auditors Annual Completion Report before approving the financial statements;
- take note of the adjustments to the financial statements included in the ACR (Appendix A);

2.3 There is a requirement that the external auditor, Mazars, provides details of all of the corrections in the financial statements that need amendment. Therefore, their final Audit Completion Report will be brought to the next meeting of this Committee post the completion of the audit, either as a confirmation letter of no further amendments or an updated version.

3.0 <u>Commentary on Value for Money arrangements</u>

3.1 Included within this final version of the ACR is a commentary on the Value for Money arrangements.

3.2 Part 3 of appendix A details the work undertaken in or to be able to comment on the Council's arrangements for Value for Money, together with the outcomes of Mazars' work against each of the reporting criteria. This includes whether they have identified any significant weaknesses in arrangements or made any other recommendations.

3.3 The table on page 10 of the document shows that the outcome of their work has not identified any risk or actual significant weaknesses or has not led to any other recommendations being made across the areas of:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness.

3.4 A further detailed commentary on each of the reporting criteria is included within pages 12 onwards.

4.0 <u>Other reporting responsibilities</u>

4.1 Section 4 of the report details the other reporting responsibilities that Mazars have powers to report on where necessary. The report confirms they have not exercised any of these statutory reporting powers.

5.0 <u>Implications</u>

In writing this report and in putting forward recommendations 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

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.

None

Auditor’s Annual Report

Newark and Sherwood District Council – year ended 31 March 2023

April 2024

Contents

01 Introduction

02 Audit of the financial statements

03 Commentary on VFM arrangements

04 Other reporting responsibilities

Appendix A: Further information on our audit of the financial statements

01

Section 01:

Introduction

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Newark and Sherwood District Council (‘the Council’) for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
Our audit report issued 8 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

Value for Money arrangements
In our audit report issued we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements.

Wider reporting responsibilities
In line with group audit instructions issued by the NAO, on 8 April 2024 we completed our work on the Council’s Whole of Government Accounts return and reported to the group auditor in line with their instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council’s WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

Agenda Page 25

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 8 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

Draft accounts were received from the Council on 31st May 2023. We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Significant matters discussed with management

Throughout the year, we have met with management, where matters discussed include:

Accounting for Arkwood Developments Limited

We have challenged management's consolidation adjustments for Arkwood Developments Limited, particularly whether completed housing has been properly classified and valued in the Group financial statements. We expect that all completed houses would be revalued to fair value at the reporting date (not cost to construct) and reclassified as an asset held for sale balance in the group consolidated accounts, supported by a clear disclosure on what this balance represents. Officer's made the adjustments as part of the consolidation process in line with CIPFA's Code of Practice.

Accounting and valuation of land and buildings

We have challenged management's consideration of whether the carrying value of land and buildings in the balance sheet remained up-to-date at the year end. Management had carried out an exercise that concluded that assets not subject to revaluation in the year could have been understated by £3.1m but no adjustment had been made to the financial statements in respect of this. We raised raised a control recommendation on this point. Further work was required to investigate the potential error in more detail, where management updated asset valuations which reduced the understatement to £0.8m, this value is immaterial and was not adjusted for in the final accounts

Non completion of declaration forms by Members

We have noted that 5 Members did not complete declaration of interest forms as required by internal policies and procedures. This poses a risk that some material related party disclosures may be undetected which would result in misstatements. This has been raised as a control deficiency and included in section 5 of this report.

The Council's financial position, including development of the medium-term financial plan

During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.

IAS19 pension surpluses

IAS19 Pension Surpluses: Each year employers within the Local Government Pension Scheme receive an actuarial accounting report prepared in accordance with IAS19 Employee Benefits. The report sets out the movement in the employers' interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end. For 2022/23, the Council remained in a net liability position.

Impact of ISA315

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. This has involved enhanced risk identification and assessment, greater emphasis on understanding IT and an increased focus on controls. We have needed to make additional inquiries in these areas to enable us to meet these audit requirements.

Town's Deal Funding

We considered the accounting treatment for Town's Deal Funding and how it has been included in the Council's financial statements, with no significant matters arising from our testing.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services

Governance - How the Council ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- 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 directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
  We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**
  We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	No	No	No
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	20	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2021/22. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and Committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including regular reporting to Members. On the 9 March 2022 the Council presented the Medium Term Financial Plan (MTFP) which showed a balanced budget for 2022/23. In its MTFP, the Council projected deficits to be funded by reserves, as follows:

Year / £m	2022/23	2023/24	2024/25	2025/26
Estimated Expenditure	15.560	16.394	16.774	17.241
Estimated Income	14.903	12.947	13.845	14.760
Contribution (to) or from Reserves	0.632	3.447	2.929	2.481

2022/23 Budget setting and the Medium-Term Financial Plan

The Council's report refers to the limitations caused by delays in the local government funding reform. The Government initially intended for these reforms to take effect from 2020/21 however delays were noted. At the point in time thoughts were that the reforms would be delayed until to 2023/24 at the earliest. At the same meeting the Council presented how it proposes to bridge the funding gaps. Some of the mitigating methods were dividends to be received from Arkwood Developments Ltd, contributions from Nottinghamshire business rates pool as well as contributions from the MTFP reserve (which stood at £6.2m as at March 2023 (2021/22 -£5.9m)). The reserves balance indicate that the Council would be able to cover immediate gaps, although it does need to identify other mitigation strategies to cover the future funding shortfalls.

We have read committee reports covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with officers throughout the year. In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets with no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

2022/23 Statement of Financial Position and financial outturn

The purpose of the Council's General Fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes. We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Council's usable reserves have decreased by £8.949m to £68.100m in 2022/23, with:

- General Fund Balance & Earmarked Reserves of £32.320m, down from £36.343m in the prior year
- HRA Balance & Earmarked Reserves of £7.115m, down from £7.294m in the prior year
- Capital Reserves of £15.421m, down from £15.962m in the prior year.

Our work to date has not highlighted any risks of significant weakness in arrangements or indicators of an immediate risk to the Council's financial sustainability. However, the use of reserves to bridge the MTFP cannot be a long-term solution and the Council will need to evaluate how either savings or income generation activity can support spending plans. The s151 Officer and Senior Management understand that the use of reserves cannot be a long term solution and already have started putting in place plans to generate efficiency savings and income generation, for example the Council's Commercialisation Plan and service reviews carried out/planned by the Transformation Business Unit. Management also recognise that further work will be required in 2024/25 to identify ways of reducing the council's net budget.

VFM arrangements – Financial Sustainability

2022/23 Statement of Financial Position and Financial Outturn (continued)

We have further reviewed the Council's outturn reports as presented to Cabinet on 27 June 2023, which explained the overall budget variance to be:

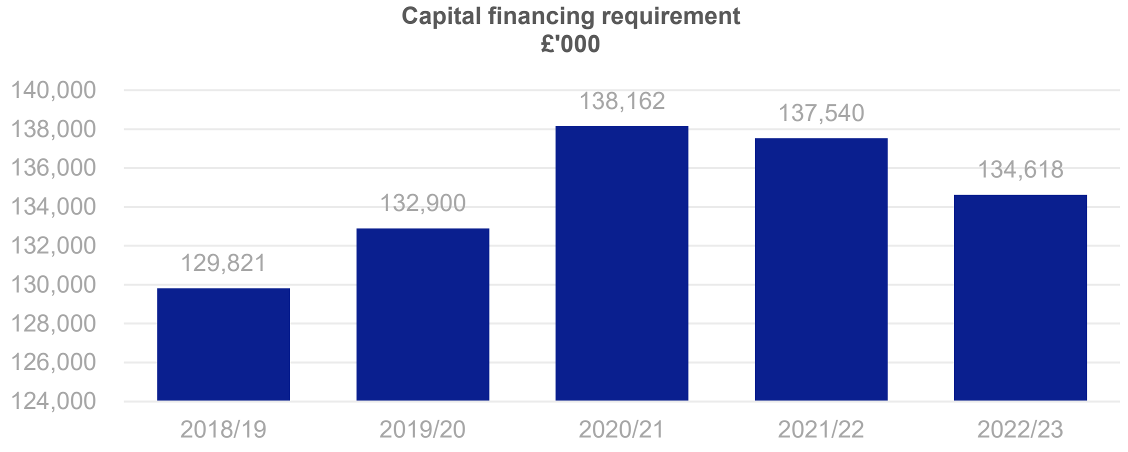
£m	Budget	Outturn	Variance
Net Cost of Services	18.346	17.600	0.746
Net Cost of Council Expenditure	3.273	0.881	2.392
Net Cost of HRA Services	5.425	5.038	0.387
(Surplus)/Deficit on HRA Services	0.839	0.555	0.284

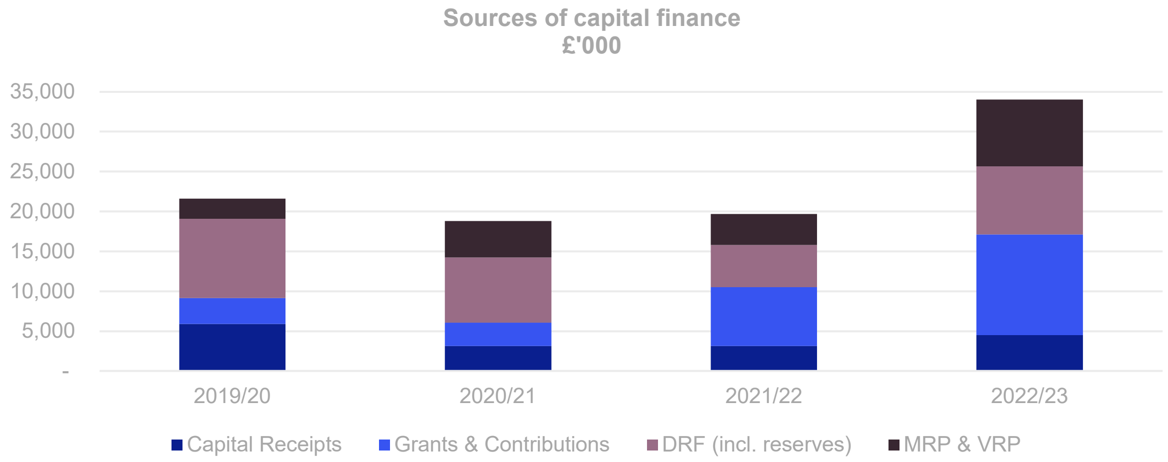
The large variance on the net cost of council expenditure was due to differences in interest receivable, where actual interest rates were higher than expected. Members were informed that capital expenditure 2022/23 amounted £31.118m over both the General Fund and Housing Revenue Account. This is made up of £19.294m on council owned assets and £11.824m Revenue Expenditure Funded from Capital Under Statue (REFCUS). Capital expenditure has been financed largely from External Grants and Contributions, Capital Receipts as well as Revenue Contributions with 17.5% remaining unfinanced and representing an increase in the underlying need to borrow.

Our testing of the financial statements did not identify any material issues regarding the Council's reported financial position on revenue and capital. In addition, we are satisfied that the reported financial position to Cabinet is not indicative of a risk of significant weakness in the Council's arrangements for financial sustainability.

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deemed to be adequate. We considered the Council's capital financing requirement as set out in Note 29 of the financial statements, which has risen from £129.821m in 2018/19 to £134.618m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.





VFM arrangements – Financial Sustainability

The Council's capital expenditure and financing (continued)

In 2022/23, the Council spent £19.294m on capital additions and £11.824m of REFCUS. Our testing of these balances did not identify any material issues.

As part of paying down the capital financing requirement, the Council charged £0.593m to the General Fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2022/23 and its supporting calculations as part of our work on the financial statements audit.

- The Council's opening Capital Financing Requirement (CFR) is £137.540m and the split between General Fund (GF) and Housing Revenue Account (HRA) amounts to £26.546m and £110.994m respectively.
- The Council uses the asset life method to calculate its MRP with a General Fund charge of £0.593m which is 2.2% of the General Fund Capital Financing Requirement
- The Council also made a Voluntary Revenue Provision (VRP) of £1.270m.
- Additionally a further £6.532m has been charged against the Major Repairs Reserve in respect of the repayment of HRA debt.

We note that the 2022/23 closing CFR also includes a £4.2m of capital expenditure incurred during the year with any MRP charge only commencing in the year after acquisition, in line with Council policy, which also has an effect on the ratio's used in benchmarking.

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

There are expected changes to the framework in setting the MRP, as a result, we expect that the Audit and Governance Committee will receives a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy.

Overall, we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

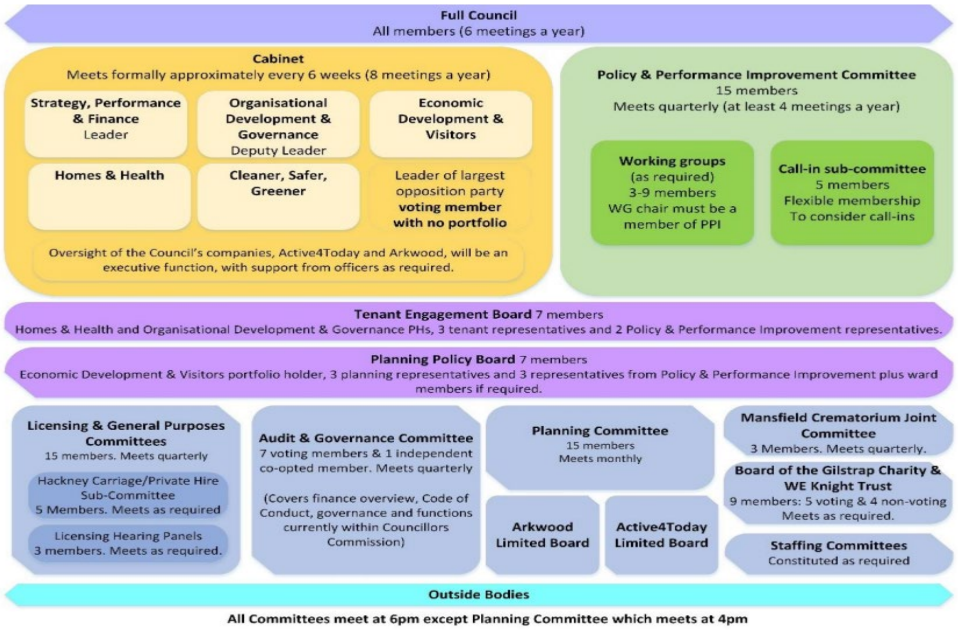
Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year.

The Council's governance structure

At its meeting held on 4 May 2021 full Council resolved to adopt a Leader and Cabinet style of governance, with implementation that took effect from May 2022. A small working group of Members was tasked with formulating the detail of how the new governance arrangements should operate. The newly formed structure is as tabled below:



This governance arrangement is detailed in the Council's Constitution and the summary is included in the Annual Governance Statement. The Council's governance structure prioritises 7 core principles as identified in the Framework. These are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

We have attended the Council's Audit and Governance Committee meetings; we have reviewed minutes from the different committees against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Cabinet and Committees to evidence the matters discussed, challenge and decisions made. Based on our work, we are satisfied that the Council has established adequate governance arrangements in line with that expected for a district council.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

The Council has a cross-service Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place with a refresh taking place during 2022/23. This was presented to the Audit and Governance Committee at its meeting in June 2023. Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

We have reviewed the risk registers and noted that these are reviewed regularly, with each strategic risk identified being assigned a ‘risk owner’ in order for there to be accountability. The ‘risk owners’ would then review their allocated strategic risks at quarterly intervals. Additionally, the strategic risks are also communicated to the Audit and Governance Committee for additional scrutiny. Similar actions are taken with operational and fraud risks.

Our work has not identified any significant weakness in arrangements for risk management.

Internal controls

We have considered arrangements for assurance over the effective operation of internal controls, including the prevention and detection of fraud.

We considered the role of Internal Audit, which is provided by an outsourced team of internal auditors, led by the Head of Internal Audit. Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The main reason for these audits are to ensure that internal controls surrounding these key tasks are working effectively. The planned tests are compiled into an annual audit plan which is agreed with management at the start of the financial year and is reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed minutes, reports and attended committee meetings to confirm that Internal Audit progress reports are presented to each Audit and Governance Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. We are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the overall adequacy and effectiveness of the Council’s governance, risk and control framework based on the work completed during the year. For the 2022/23 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately in Governance and performing well in Risk, Internal Control and Financial Control. We confirmed this was appropriately reflected in the Council’s Annual Governance Statement.

We have attended Audit and Governance Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council’s requirements. Our attendance at these meetings has confirmed there continues to be an appropriate level of effective challenge.

We made specific enquiries of management and internal audit regarding fraud and corruption and have not been made aware of any significant issues.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

2023/24 Budget setting and the Medium-Term Financial Plan (MTFP)

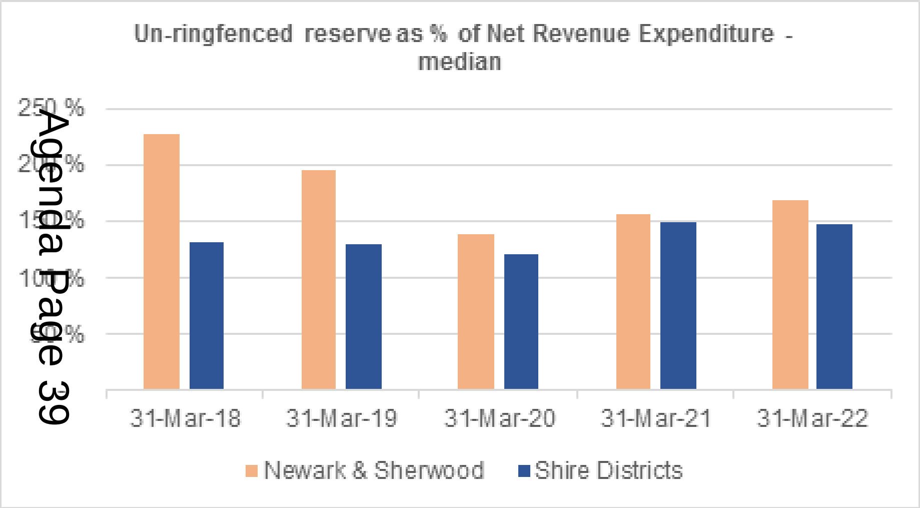
The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Council in March 2023, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term financial planning through the one-year local government finance settlements.

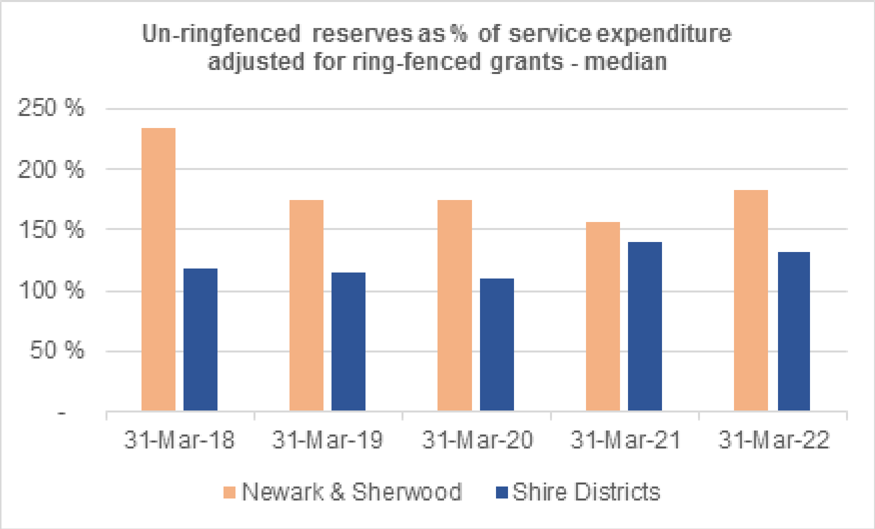
The table below reproduces the MTFS table.

	2023/24	2024/25	2025/26	2026/27
Estimated expenditure	16.969	17.978	18.895	19.655
Estimated Income	17.528	18.423	13.692	14.210
Contribution (to) or from Reserves	(0.569)	(0.444)	4.853	5.446

Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to shire districts since 2018:.





VFM arrangements – Governance

Financial sustainability and reserves (continued)

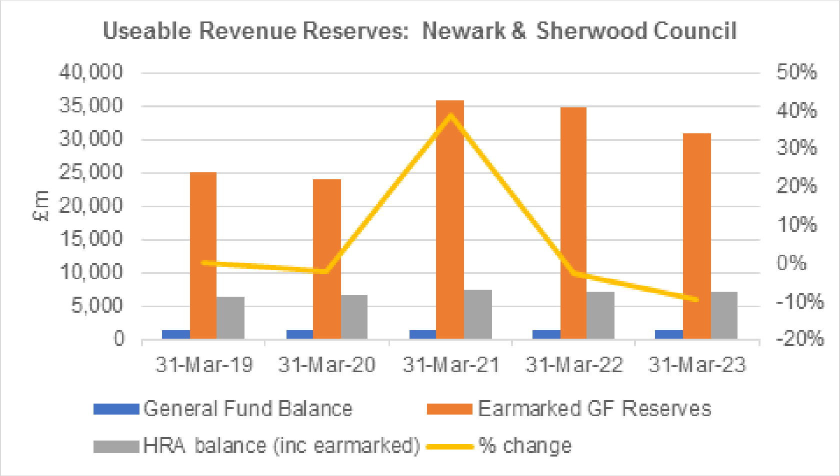
The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

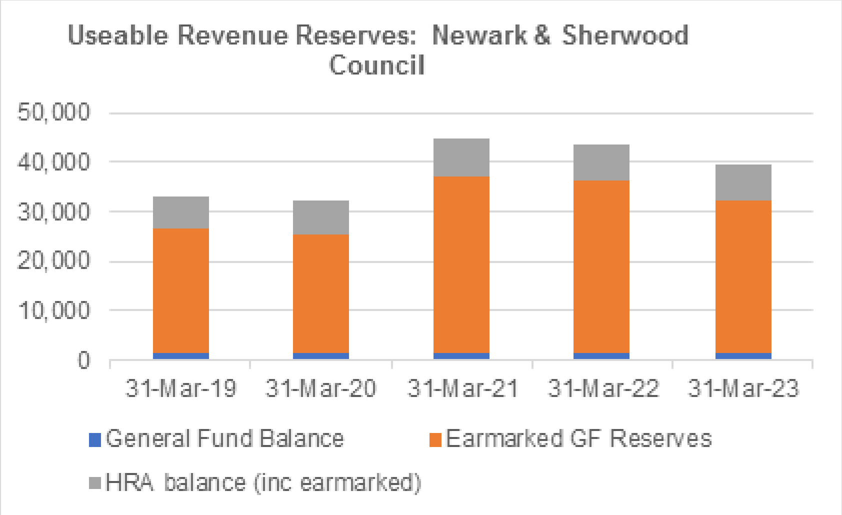
Through a review of the financial statements, we have considered the Council's revenue reserves over time:

- As set out on the previous page, the Council's revenue reserves are above the median for district councils.
- Whilst reserves have increased to 2021, and remained relatively stable since, they are finite. The Council's General Fund Balance has remained stable over the last 5 years, but savings targets required in order to maintain this are increasing rapidly

We considered the reasonableness of the 2023/24 budget by reviewing the most recent report to Cabinet (March 2024) on financial performance. The council's MTFP reflects a shortfall of £1.552m in 2025/26 which is lower than the initially projected shortfall of £4.853m. In the report to Cabinet it was noted that the impact of the government's decision to delay the reform to the system has been positive on the funding position of the Council. The delay in re-setting the NDR baseline has meant that expected NDR income in 2023/24 to 2025/26 is £12.3m higher than forecast within the MTFP that was approved in March 2022. Whilst reserves enable the Council to cover immediate gaps, it will be need to identify other mitigations to cover the future funding shortfalls.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes going forwards. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. Use of reserves cannot be relied on to provide a long term solution to funding gaps. Our work has not highlighted either a risk of or actual significant weakness in the Council's arrangements for ensuring financial sustainability.





Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Community Plan and performance monitoring

The Council adopted the Community Plan during the 2019/20 financial year which was approved at Council on the 7 March 2019. The Community Plan spans the medium term from 2019 through to 2023 and, as this represented its last year, the Council undertook a resident survey in order to identify and prioritise its community's wants for the new community plan adopted in December 2023. The previous Community Plan included 7 objectives, which were:

- creating vibrant and self-sufficient local communities where residents look out for each other and actively contribute to their local area
- delivering inclusive and sustainable economic growth
- creating more and better-quality homes through our roles as landlord, developer and planning authority
- continuing to maintain the high standard of cleanliness and appearance of the local environment
- enhancing and protecting the district's natural environment
- reducing crime and anti-social behaviour and increasing feelings of safety in our communities
- improving the health and wellbeing of local residents

Agenda Page 42

The Council has a clear performance monitoring process in place. We have reviewed minutes of the Policy and Performance Improvement Committee on the 26 June 2023 where the Council reviewed performance against the set indicators. We noted that performance is assessed through achievement of objectives and activities within the Community Plan. The report clearly indicates the target set for the financial period, and thereafter shows the Council's performance against the target as well as comparatives for the previous two financial periods. Performance is also colour coded where green indicates good performance whilst red is reflective of where improvements are needed. A narrative is also included to show how the Council plans to improve results where necessary.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council's activities for the financial year.

We have reviewed a sample of targets as reported in the Q4 report for 2022/23 and confirmed that this report is in line with what has been reported in the financial statements. The quarterly reports demonstrate that performance has been managed throughout the 2022/23 year and any significant variances have been justified. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

Procurement

The Council has specific arrangements through standing financial instructions and purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies in these areas.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Newark Town Deal and Levelling Up Fund

In March 2021 the Government announced that Newark was successful in securing the maximum £25m grant of Town Deal funding. The Council entered into a Newark Town Deal (NTD) with Government in March 2021, committing to develop all 10 priority projects. In addition to the £25m from Towns Fund, the Council successfully applied for and secured £20m of Levelling Up Round 1 Funding for the Newark Southern Link Road in summer 2021. The Newark Towns Deal (NTD) and Levelling Up Funds R1 (LUF1) makes clear that the Council is the accountable body for the purposes of assurance and management of any Towns Fund grant spend and associated outputs.

Through review of the Policy and Performance Improvement Committee minutes dated 26 June 2023 we noted that progress of projects is monitored carefully against the target outputs, as at this date all projects were on track for the deadline of March 2026.

The Council has responsibility for ensuring a Local Assurance Framework is in place which meets the standards set out by Government, and that decisions are made in accordance with it. The Local Assurance Framework, adopted by the Council's Policy and Finance Committee in June 2021, sets out how the Newark Towns Fund Board will effectively undertake its role in relation to good governance and allocation of the public funds it is responsible for.

A similar arrangement to the above is in place regarding £20m of Levelling up funding that was awarded to the Council in respect of the Southern Link Road. A monitoring board has been established consisting of officers of the Council, together with representatives from the developer-Urban and Civic, National Highways and Nottinghamshire County Council. The Council is responsible for the proper administration of the funding, and has, through the project, employed an independent quantity surveyor in order to ensure claims of grant from the developer are accurate and proportionate and can be approved by the Council's s151 Officer.

We obtained a copy of the Local Assurance Framework (LAF) to confirm one was in place. This sets out how Newark and Sherwood District Council and Newark Town Funds Board undertake their respective roles in relation to good governance and delivery of the projects being funded through the Towns Fund. The framework sets out the structure and roles that each organisation will undertake and the processes and policies that will apply to the decision making and oversight that are required in managing the Town Deal programme.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest
- make statutory recommendations that must be considered and responded to publicly
- apply to the court for a declaration that an item of account is contrary to the law
- issue an advisory notice

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted the assurance statement to the National Audit Office (NAO) on 8 April 2024 in line with the NAO's Group Audit Instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in 14 June 2023 Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follow

Area of work	2021/22 fees	2022/23 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	37,213	49,797	145,685
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	9,365	Included in scale fee	-
Subtotal	**46,578**	**49,797**	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates)	2,900	3,181	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	-	5,991	
Additional costs arising in testing material new grant income schemes (Towns Deal Fund) and material errors in asset valuations and group consolidation	-	6,546	-
Additional fees in respect of Group Accounts	2,530	6,361	-
Additional fees in relation to the VFM Commentary	12,000	8,960	-
Total fees	**64,008**	**80,128**	**145,685**

Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £4,500. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.

A

Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and a summary of our findings..

Risk	How we addressed the risk	Audit Conclusion
Management Override of Controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements • consideration of identified significant transactions outside the normal course of business • journals recorded in the general ledger and other adjustments made in preparation of the financial statements	There were no significant issues arising from the work performed.
Net defined benefit liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 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.	We addressed this risk by: • critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary • liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate • reviewing 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 included comparing them to expected ranges, utilising information supplied by PWC, the consulting actuary engaged by the National Audit Office • agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements • considering the impact of IFRIC14 regarding pension fund surpluses	We identified an error, below our material threshold, as a result of a misstatement in the asset value of the pension fund administered by Nottinghamshire Pension Fund but overall were satisfied that the work performed provided the assurances we sought.

A. Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	How we addressed the risk	Audit Conclusion
Valuation of Dwellings, Land & Buildings and Investment Property Property related assets are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.	We addressed this risk by: • critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations • considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies • assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends • critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers	Material errors were identified from the work we performed arising from: • Incorrect classification of assets under construction for the purposes of group consolidation purposes • Assets not subject to revaluation during 2022/23 being materially incorrect, requiring new valuations We additionally reported a control deficiency in relation to the Council's consideration of non-revalued assets. Following adjustment to the financial statements, we were satisfied the financial statement were free from material error.

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

We reported a three unadjusted misstatement identified during the course of the audit. These misstatements were immaterial in aggregate.

Summary of internal control recommendations

Our audit reported two internal control recommendations. All recommendations were accepted by management.

Mark Surridge - Partner

Mazars

2 Chamberlain Square
Birmingham
B3 3AX

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Follow us:

LinkedIn:
www.linkedin.com/company/Mazars

Twitter:
www.twitter.com/MazarsGroup

Facebook:
www.facebook.com/MazarsGroup

Instagram:
www.instagram.com/MazarsGroup

WeChat:
ID: Mazars

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
Director or Business Manager Lead:	Sanjiv Kohli, Deputy Chief Executive, Director of Resources and S151 Officer
Lead Officer:	Nick Wilson, Business Manager – Financial Services 01636 655317

Report Summary	
Report Title	Ethical and Fossil Fuel Investments
Purpose of Report	To present to Members the Ethical and Fossil Fuel Investment policies of the Investment banks used by the Council
Recommendations	Members note the policies utilised by the Investment banks used by the Council
Reason for Recommendation	To ensure that the Investment banks used by the Council have policies regarding sustainable and ethical investments in line with the Council's policies

1.0 Background

1.1 Following a question at Council from Cllr Melton at Council on 12th December 2023 regarding the Investments that the Council makes. Officers have liaised with the Investment banks to source their policies on Ethical investments.

2.0 Investment Portfolio

2.1 As of the 30th January the Council had investments with:

Fund	Value
Money Market Funds:	
Deutsche Bank	£2.705m
Invesco	£0.690m
CCLA	£2.240m
Goldman Sachs	£0.660m
Deposit/Call Accounts:	

Santander Uk PLC	£5.000m
Northern Trust	£10.940m
Lloyds	£5.000m
Close Brothers	£2.000m
Goldman Sachs	£5.000m
Standard Chartered – Sustainable	£6.000m
Standard Chartered	£3.000m
Property Fund	
CCLA	£6.066m
CCLA Better Care World Fund	£4.914m

2.2 The appendices will be the documents received from the various institutions regarding their policies on ethical and sustainable investments.

<u>Treasury Strategy</u>

2.3 The Treasury Strategy was approved for the 2024/25 financial year at Council on 7th March 2024. The current version does not include any statement on ethical or sustainable investments.

2.4 A Mid-year update report will be presented to Audit and Governance Committee at its meeting on the 11th December 2024, whereby Officers will propose updating the strategy to take account of ethical and sustainable investments when making investment decisions.

2.5 Based on the background papers below, it is our understanding that the investments currently held are not at odds with the Council's values.

3.0 <u>Implications</u>

In writing this report and in putting forward recommendations 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

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.

8629 CCLA PSDF Interim Report 2023 (7)
8649 CCLA LAPF Interim Report 2023 (7)_FINAL
Close Brothers Group plc CBG Annual Report 2023
Close Brothers Group plc CBG Net Zero update 2024
CCLA Investment Funds ICVC Prospectus Feb 24
DB 1 Deutsche Managed Sterling Fund
DB 2 Deutsche Managed Sterling Fund

Goldman Sachs GS1
Goldman Sachs GS2
Invesco 1
Invesco 2
Lloyds
Northern Trust NT 1
Northern Trust NT2
Santander-2023-ESG-supplement
Standard Chartered

Report to: Audit & Governance Committee Meeting 24 April 2024

Director or Business Manager Lead: Matthew Finch – Communities and Environment

Lead Officer: Richard Bates – Safety and Risk Manager.

Report Summary	
Report Title	Strategic Risk Management
Purpose of Report	To provide an update to members highlighting the Council's 2024/25 Strategic Risk Register and its current status.
Recommendations	Members of the Committee are asked to note amendments to the Strategic Risk Register and to highlight any issues of concern.
Reason for Recommendation	To ensure Committee members are aware of the status of the Council's strategic risks.

1.0 Background

1.1 Risk Management is the process of identification and management of risks faced by the Council, which have the potential to significantly prevent it from achieving its key/agreed objectives. Proactively identifying potentially significant risks and implementing suitable control strategies help prevent these risks from being realised, or if this is not possible, to mitigate the risk to a tolerable level.

1.2 Strategic risks are those risks that have the potential to halt or significantly interfere with the ability of the Council to achieve its core objectives, priorities and/or ambitions. Those risks that have the potential to halt or interfere with the ability of business units to achieve their specific operational service priorities are detailed with the operational risk register.

1.3 Contents of the previous 23/24 strategic risk register were reviewed by Members in November 2023.

2.0 Strategic Risk Review 2023/24

2.1 In accordance with the Risk Management Policy, a facilitated strategic risk workshop was undertaken with the Senior Leadership Team (SLT) in February 2024. This workshop evaluated all existing strategic risks and identified emerging risks for the forth coming year.

2.2 Undertaking annual strategic risk reviews helps identify significant potential challenges the council may face so it may appropriately control or mitigate as required and where possible. The purpose of the annual strategic risk workshop is to:

a) Consider the suitability of the existing register,
b) Identify new, emerging or future significant risks, and
c) Develop a formal register to address these risks

2.3 During the recent annual workshop significant issues raised/topics discussed included:

- Council crisis' – partnerships, funding gap, spending cuts & Section 114 notices
- Extreme weather –vulnerable communities, preparedness/resilience and response
- Environmental/ carbon reduction targets /climate targets
- Economy/Inflation/Cost of living/Local economy
- Cyber
- Major Infrastructure projects and growth
- Workforce
- Contracts/supply chain including financial sustainability of suppliers/contractors.
- Compliance
- Priorities and capacity

2.4 During the workshop it was agreed by SLT that:

a) 9 existing strategic risks should be retained,
b) 1 be deleted from the register, and
c) A new risk considering priorities and capacity be developed for further consideration by SLT.

2.5 The table below identifies content of the 2024/25 risk register, as agreed by SLT.

2024/25 Strategic Register- Effective from 1st April 24		
Risk Code and Title		**Risk Owner**
SR301	Financial Sustainability- General Fund	Sanjiv Kohli
SR302	Financial Sustainability- HRA	Sanjiv Kohli & Suzanne Shead
SR303	Failure to deliver growth infrastructure	Matt Lamb
SR304	Contract/Supply Failure	Deborah Johnson & Suzanne Shead
SR305	Workforce	Deborah Johnson

SR306	Corporate Governance	Sue Bearman
SR307	Data Management Security	Sanjiv Kohli
SR308	Environment	Matthew Finch
SR309	Statutory Compliance Management	Sanjiv Kohli & Suzanne Shead
SR---	Capacity (DRAFT)	TBC

2.6 As mentioned above the risk workshop identified 2 significant amendments to the 24/25 register. Details of these amendments are listed below:

a) **Cost of Living** – REMOVED. SLT noted the significant work undertaken and the planned/continued work to support with the cost of living. However, SLT considered this specific risk to now longer remain valid as a strategic risk. It was also acknowledged that many of the key issues were captured within existing strategic risks. It was therefore agreed to remove this risk from the strategic risk register.

b) **Capacity** – TO BE DEVELOPED. SLT discussed issues relating to capacity and ability to manage key priorities. It was therefore agreed that a draft strategic risk should be developed specifically considering the risks of not suitably managing competing and dynamic priorities. A draft will be considered by SLT to determine if the risk is to be included within the 24/25 register.

2.7 During the previous 12 months 1 strategic risk, retained within the 24/25register, has experienced a change to its current risk score. Details of this change is listed below:

- **SR306 Corporate Governance:** Likelihood score has decreased from 3 (very likely to occur) to 2 (likely to occur). Decrease was due to the embedding of the cabinet system.

2.8 Strategic risks SR303, SR305, SR307 and SR309 are currently all identified as red risks. Whilst every reasonable effort will be made to reduce the risk to a level to ensure compliance with the corporate risk appetite, it should be noted that the very nature of strategic risks are complex and influenced by many outside factors/controls. Some actions can be very long term and in other cases the ability to reduce the risk further may not be in the control of the council.

2.9 All strategic risks have identified actions. The purpose of these actions is to mitigate the risk to a tolerable level. Actions and due dates are determined by the risk owner and their progress is monitored at quarterly reviews.

2.10 A total of 162 actions were assigned to the current 9 strategic risks. 77 of those actions have been completed. All remaining 85 actions, except for 2, are within their assigned target due date. Details of the 2 outstanding actions are listed within the progress table below.

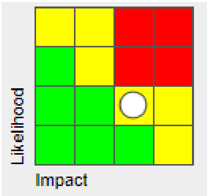
2.11 Due to the nature of strategic risks some actions are assigned long due dates, many of which may exceed a year before completion is required. Other actions may also be cyclical and appear a number of times within a year.

2.12 The tables below illustrates the current status of each strategic risk score and their associated actions.

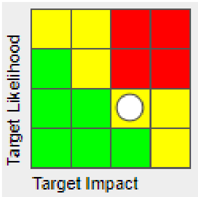
The actions progress bar provides information relating to the total number of actions assigned to each risk for the previous year and their current status i.e. completed, in progress or overdue.

Financial Sustainability- General Fund

Current Risk Score

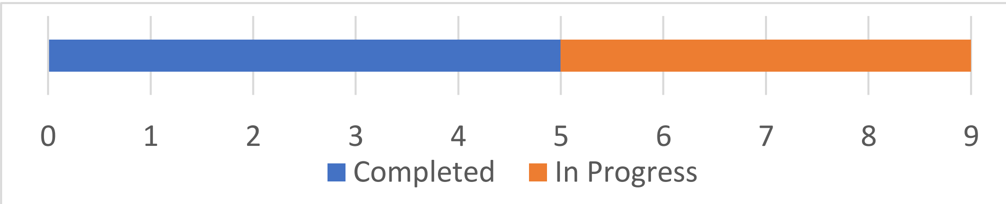


Target Risk Score



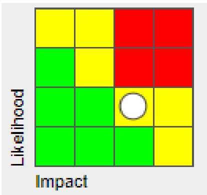
- Risk score has remained static.
- At SLT target score

Actions – Progress

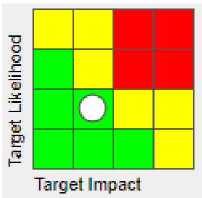


Financial Sustainability- HRA

Current Risk Score

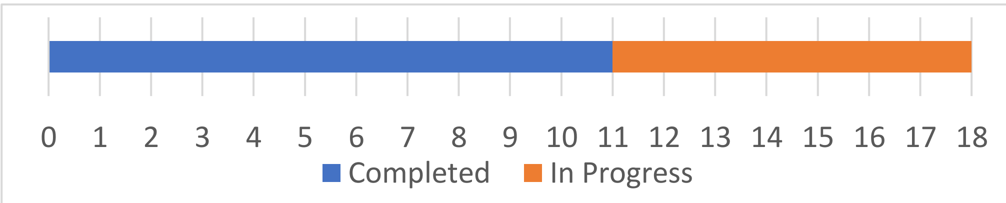


Target Risk Score



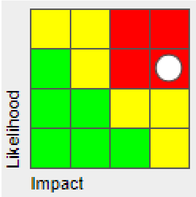
- Risk score has remained static.
- Not yet at SLT target score

Actions – Progress

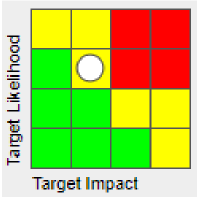


Failure to Deliver Growth Infrastructure

Current Risk Score

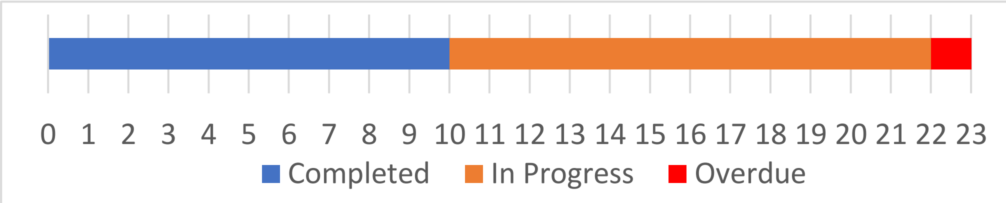


Target Risk Score



- Risk score has remained static.
- Not yet at SLT target score

Actions – Progress



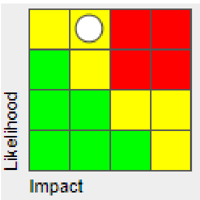
Over due action:

- To review extent of full fibre delivery and consider implications re growth delivery.

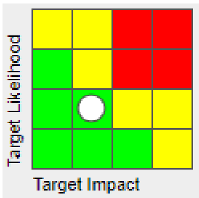
Was due for completion by the 4th quarter, however, data was not avaiblable at the meeting to sign this action off. The risk owner is to identify status and provide an update at the next review meeting due in May 2024.

Contract/Supply Failure

Current Risk Score

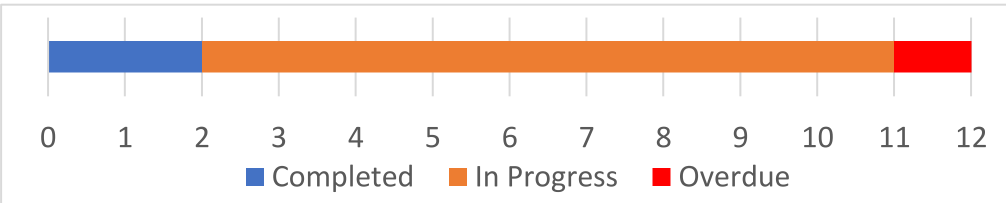


Target Risk Score



- Risk score has remained static.
- Not yet at SLT target score

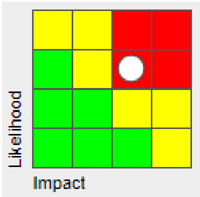
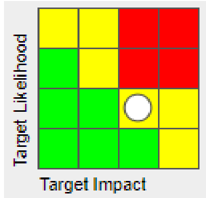
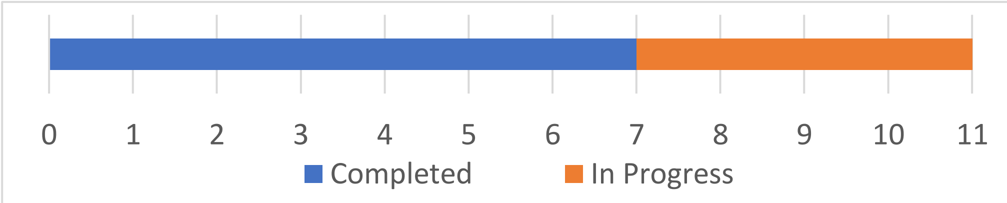
Actions – Progress

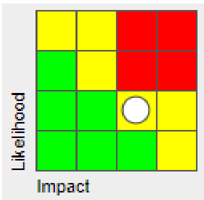
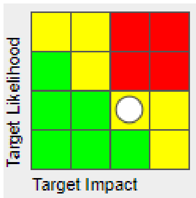
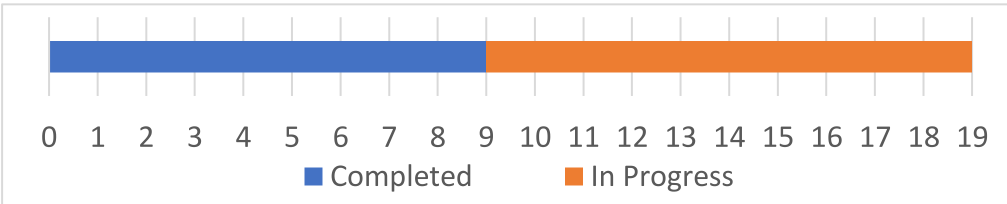


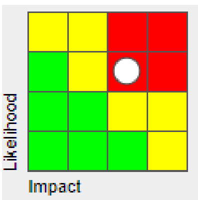
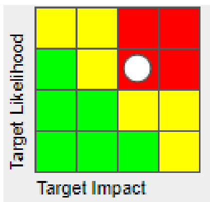
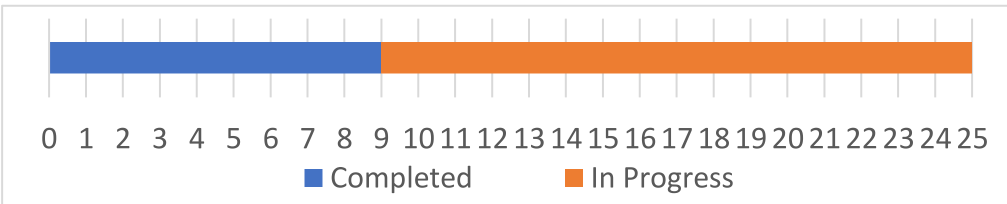
Over due action:

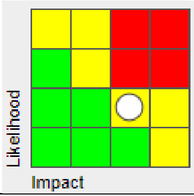
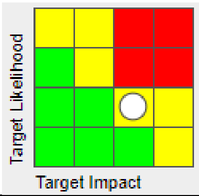
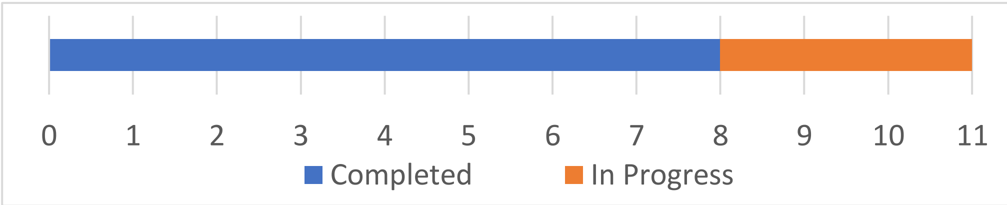
- Contracts register review. Officer to attend all directorate meetings to review and discuss.

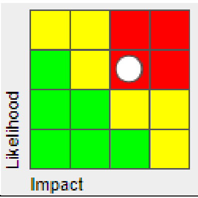
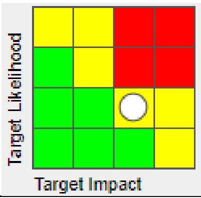
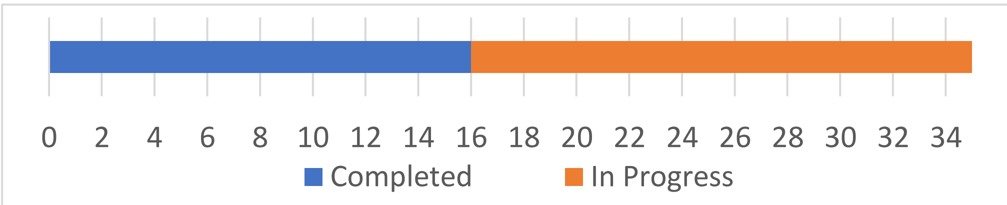
The officer assigned this action was unable to implement this prior to the agreed target date. The officer has now commenced these meetings and the action status will be identified as complete at the next risk review meeting.

Workforce		
Current Risk Score 	**Target Risk Score** 	▪ Risk score has remained static. ▪ Not yet at SLT target score
Actions – Progress 		

Corporate Governance		
Current Risk Score 	**Target Risk Score** 	▪ Risk score decreased in Sept 2023. ▪ At SLT target score
Actions – Progress 		

Data Management and Security		
Current Risk Score 	**Target Risk Score** 	▪ Risk score has remained static. ▪ At SLT target score
Actions – Progress 		

<table>
<tr><th colspan="3">Environment</th></tr>
<tr><td>Current Risk Score

</td><td>Target Risk Score

</td><td>Risk score has remained static.
At SLT target score</td></tr>
<tr><td colspan="3">Actions – Progress

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

<table>
<tr><th colspan="3">Statutory Compliance Management</th></tr>
<tr><td>Current Risk Score

</td><td>Target Risk Score

</td><td>Risk score has remained static.
Not yet at SLT target score</td></tr>
<tr><td colspan="3">Actions – Progress

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

3.0 Strategic Risk Register 2024/25- Development and Review

3.1 All 9 strategic risks identified within the 24/25 register are pre-existing and therefore are fully developed and have established action plans. If the proposed draft risk for priorities and capacity is developed further a suitable action plan to mitigate the associated risks will be developed immediately.

3.2 All strategic risks identified above are owned by a member of SLT. Risk owners, and associated lead officers continue to meet on a quarterly basis to review and develop the risk with the assistance of the Safety & Risk Manager.

3.3 All strategic risks continue to be reported to SLT, via our agreed assurance process, on a quarterly basis. The purpose of this process is to identify those risks that are red, failing or not reviewed during the previous quarter, for consideration by SLT.

3.4 All 9 current strategic risk assessments have been appended to this report in full.

4.0 Proposal/Options Considered

4.1 Members of the committee note the amendments to the Strategic Risk Register. An update report will be brought to the Audit and Governance Committee in 6 months.

5.0 Implications

In writing this report and in putting forward recommendation's officers have considered the following a range of implications. This report in itself does not have any implications. During the risk reviewing process any controls that are identified are considered in terms of the implications they may have before they are agreed as an appropriate control.

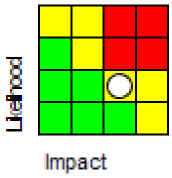
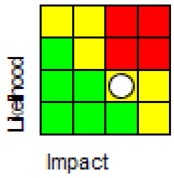
Background Papers and Published Documents

None for this report

APPENDIX 1 – Strategic Risks

SR301 Financial Sustainability-General Fund

SR301 Financial sustainability – General Fund	
Description	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives
Lead Officer	Kohli, Sanjiv (SLT)
Support Officers	Nick Wilson

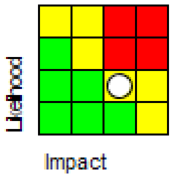
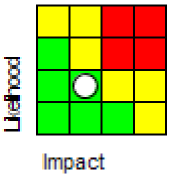
Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	11-Mar-2024	3	B	Controlled	

Controls In Place	Quarterly Capital monitoring meetings Investments approved in line with the annually agreed Treasury Management Strategy Annual refresh of Medium Term Financial Plan including management of reserves Council approved Capital programme Financial implications added to Committee reports by Financial Services and a unique reference given each time Financial strategies and budget reviewed through Cabinet annually Use of external Medium Term Financial Plan tool which assists with forecasting future Business Rates income for the following year budget Assigned project manager for each major project the Council is embarking on Director/Business Unit Manager quarterly meetings reviewing Directorate financial position Approved Commercial strategy to support objectives set out in the MTFP Approved Investment Plan to support the objectives set out in the Commercial Strategy Commercial strategy agreed 2022 and formulated commercial group to review projects and activities – Meet quarterly to understand progress. Report formally to members twice per annum – MTFP and separate report. Commercial group established and projects identified by BM's across the authority. Commercial officer group established to identify business opportunities in service areas Nottinghamshire Business Rates Pool mitigating large impacts of reductions in Business Rates. This is kept under review by Nottinghamshire S151 officers Quarterly budget monitoring report tabled at SLT, Cabinet and PPIC Annual Financial Regulations training in place Lead authority for administration around Notts Business rates pool Contract procedure rules in Constitution refreshed May 22 Acquisition and disposal policy - Approved Nov 2021 Internal Audit Corporate land and property group established and meet regularly Review of chancellor's budget statements/fiscal events Funding/bid and project challenges. Focusing bid application to community plan applications

Risk Categories	Financial Meeting corporate objectives Service delivery Reputation Governance Compliance
Trigger/Event	MTFP gap: Not meeting targets as set out in the MTFP and regularly monitoring the programmed efficiencies and income targets. Projects outside of capital programme and community plan cycle having an effect on the delivery of the MTFP Unforeseen rise in interest rates over forecasted levels Changes in national policy eg. fair funding review, change to government political parties Change in local political balance resulting in change in priorities Banking crisis Over reliance and poor decision making on investments Member priorities diverging from corporate priorities Increase CPI/RPI figures Failure of subsidiary companies Major contract failure Failure of HRA Reduction in Business Rates Poor decision making and business planning Budgeted income levels not meeting target Actual funding received not in line with expected funding (central Gov and Notts Pool) Change in government policy significantly reducing income/funding Changes in government policy/direction impacting resulting in additional costs Failure in compliance/ governance Fraud Global Pandemic Economic downturn Cyber-attack/fraud Utility price increase Supply chain – significant sudden increase in costs Levelling up Nottingham and Nottinghamshire project Funding/bid and project challenges
Impact	Inability to fund services resulting in reduction in discretionary services and reduction in quality-of-service provision Inability to meet corporate priorities/community plan Inability to meet legislative requirements External auditors review Government taskforce Negative media/reputation Loss of ability to make local decisions Division between members and officers Greater division between political parties Staff morale, loss of key staff and reduction in workforce Staff morale and loss of key staff Fines/ enforcement S151 officer issues S114 notice Curtailment of activities of the subsidiaries/HRA/Major projects Impact on residents and communities Impact on income streams Reduction/disposal of assets Impact on the funding of the capital programme requiring reprioritisation of projects and a consequential impact on the GF due to additional interest cost/additional costs of borrowing

SR302 Financial Sustainability- HRA

SR302 Financial sustainability - HRA	
Description	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.
Lead Officer	Kohli, Sanjiv (SLT); Shead, Suzanne (SLT)
Support Officers	Nick Wilson, Suzanne Shead, Caroline Wagstaff, Simon Ingram, Craig Tinsley

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	12-Jan-2024	3	B	Control Pending	

Controls In Place	• Quarterly Capital monitoring meetings • Investments approved in line with the annually agreed Treasury Management Strategy • Annual refresh of HRA financial business plan • Council approved Capital programme • Financial implications added to Committee reports by Financial Services • Financial strategies and budget reviewed through Policy and Finance Committee annually • Use of external HRABP tool allows scenario planning • Assigned project manager for each major project the Council is embarking on • Director/Business Unit Manager quarterly meetings reviewing Directorate financial position • Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee • Annual Financial Regulations training in place • Current development programme ensuring growth in house numbers, over and above the offsetting disposals through Right to Buy • Attendance at Housing related horizon scanning events, in order to feed future impacts into HRABP • Review on housing management completed and housing service brought back in house. Efficiencies generated through budget review • Reserves in place

Risk Categories	Financial Meeting corporate objectives Service delivery Reputation Governance Regulation Compliance
Trigger/Event	Change in national policy & legislative requirements Increase in interest rates Increased rent arrears Suitability of stock meeting future standards

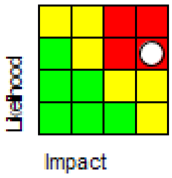
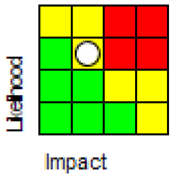
	Increase or change in standards required Current stock does not meeting housing needs Workforce issues Failing to ensure compliance with relevant legislation causing regulatory bodies to intervene Non-compliance with RSH regulatory standards Meeting tenant priorities Ineffective strategic decision making and business planning Key HRA major projects failure Ineffective management of housing maintenance function Loss of critical income streams Fraud Failure to manage critical income streams/ invest Global Pandemic Supplier/contractor cost increases due to demand/supply issues changes in the economy Inability to secure sufficient external funding to regenerate existing stock to meet enhanced standards Conflicting strategic direction and lack of regular review of 30 year business plan Zero carbon works identifies significant increase in costs Stock condition survey identifies significant increases in costs
Impact	Inability to maintain stock to acceptable level including development of future stock Changes in national policy requiring internal funding above levels sustainable within business plan. Increased requirement to use internal funding, Reprioritisation of service delivery Cash reserves used to right off rent arrears and voids Substandard housing stock Loss of morale and high staff turnover Fines, notices, court cases and legal fees Moratorium of services Stakeholder Dissatisfaction with service delivery Greater scrutiny on service slowing decision making Poor local housing policy Project failure Contract disputes S151 officer issues S114 notice Failure to service debt Legislative requirements not met Impact on residents and tenants Increase in void properties

SR303 Failure To Deliver Growth Infrastructure

NEWARK & SHERWOOD DISTRICT COUNCIL

SR303 Failure to deliver growth infrastructure	
Description	Facilitating the provision of key local infrastructure projects to ensure mitigation and delivery of identified growth areas within the district.
Lead Officer	Lamb, Matt (SLT)
Support Officers	Lisa Hughes, Matthew Norton

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix

	21-Mar-2024	4	C	Control Pending	

Controls In Place	Community Plan Infrastructure delivery plan CIL charging schedule and infrastructure list Development plan (Amended Core Strategy and Allocations and Development Management DPD) Planning policy board Cabinet and Full Council Planning Committee High performing planning service Active Lobbying Engagement with Developers, Stakeholders, Partners, infrastructure providers, utility providers Economic Growth Strategy – Newark Town Investment plan & Visitor economy strategy Continued liaison with National Highways to monitor progression of SLR and A1 over bridge. Southern link road – Continued liaison with Homes England re funding package Newark “levelling up” fund governance

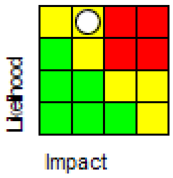
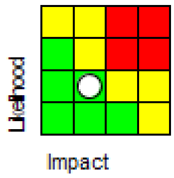
Risk Categories	Inability to deliver infrastructure projects to support growth. Specific projects include: **Direct NSDC influence** A1Overbridge (and inter-relationship with A46 Newark northern bypass) **Indirect influence** Southern link road - completion (grant funding) (and inter relationship with A46 Newark northern bypass) Full Fibre broadband and/or 5(6)G provision Electricity grid capacity A614 roundabout (the Non-strategic Road Network Improvement Scheme NRNIS)– indirectly funding via section 106 A46 improvement works – Influencing role Political Reputation Financial Partners, stakeholders, policy makers and funders Economy, business and residents
Trigger/Event	Government change in policy Partner funding withdrawn Funding reduced/costs increased Funding bid failure Withdrawal of Partners Change in partnership priorities Housing development stalls Change in leadership Poor strategic decision making Failure of other related major infrastructure projects A46 Newark northern bypass – Delivery and timing A1 Over bridge – Technical constraints and increasing costs Change in delivery method and/or partner Insufficient capacity planning from infrastructure/utility providers Inability to influence at national/regional level

	Non-strategic major road network fund priority junctions (A614/A617/A6097 corridor) Lack of coordination of delivery General Election – Change in decision
Impact	Infrastructure not delivered/ delivery delayed Inappropriate infrastructure delivered Growth within district affected Inadequate service provision Government sanctions for inability to deliver housing growth Housing development stalls Social Inequality Large Employer relocating outside district Inward investment stalls Financial impact of failure to meet growth aspiration in Newark devolution agreement Impact on council's MTFP MTFP assumptions not realised Slower/more expensive/less viable delivery Commercial development stalls Commercial attractiveness of district reduces

SR304 Contract/Supply Failure

NEWARK & SHERWOOD DISTRICT COUNCIL

SR304 Contract/supply failure	
Description	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives.
Lead Officer	Johnson, Deb (SLT); Shead, Suzanne (SLT)
Support Officers	Andrew Kirk, Nick Wilson, Caroline Wagstaff, Dave Richardson, Jenny Walker, Sue Bearman, Mark Fisher

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	19-Feb-2024	2	D	Control Pending	

Controls In Place	CONTRACT INCEPTION & MANAGEMENT Contract register developed using Pro-Contract and actively managed by legal and admin team (not fully populated or embedded yet see action) reviewed twice per year Contact renewal early warning provided by admin at quarterly meetings Procurement advice provided through Welland procurement Call off contract arrangements/template devised SLA template devised for consistency SLAs all reviewed SLA register devised and actively managed by service areas .Comprehensive audit undertaken of contracts PROCUREMENT RULES Use of joint procurement service –Welland procurement Focus on local providers for some services Use of contract exemption forms where necessary

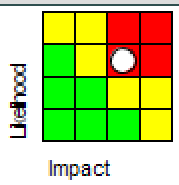
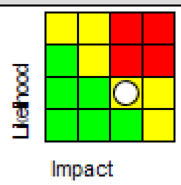
	WHOLLY OWNED COMPANIES Management agreements regularly reviewed Contract managers named for each Regular contract management meetings in place Active partnership approach embedded TRAINING Session delivered to BMs on contract management Session delivered to members on contract management

Risk Categories	Service delivery Financial Compliance (Regulatory, Health & Safety, Legislative) Governance Resources Reputational Procurement/lack of competition Project delivery
Trigger/Event	CONTRACT INCEPTION Lack of understanding of requirements and different provision mechanisms available Lack of commercial approach and knowledge Inadequate/ambiguous specification Inadequate/ambiguous control/performance measures Inadequate/ambiguous exit arrangements Failure to engage relevant specialists in contract design Contract is not signed and saved in corporate register Limited market supply Over reliance on single supplier(s) Lack of competence in procurement Lack of resource dedicated to procurement Lack of preplanning for contracts Lack of appropriate exit strategies Limited availability due to emerging industries/concepts/technology/demand CONTRACT MANAGEMENT No assigned contract manager Contract manager is not appropriately trained/skilled Contract manager resource is insufficient Ineffective performance monitoring and reviews Evergreen contracts in place Change control/variations are not appropriately managed Lack of ongoing challenge throughout the contract Loss of key personnel/ key resilience Relationship breakdown Contractor fails to deliver/ isn't able to deliver (bankruptcy) OTHER Financial management not embedded as part of contract management process Impact of Brexit Business continuity/Emergency incident Contracts not entered on contract register Provision commences before contract is in place Lack of appropriate overview of contract management Pandemic Impact of inflation Government policy shift
Impact	FINANCIAL IMPACT Additional costs to council (hidden costs, increased costs) Best value not achieved

	Fines Failure to utilise grant(repay grant because of failure to contract or contract failure) SERVICE DELIVERY IMPACT Provision is not timely/delayed Poor/declining quality of service/provision Increased unplanned demand Inability to scale up/scale down provision to meet demand Service failure Not aligned to corporate objectives Unable to procure Project delivery failure LEGISLATIVE IMPACT Data loss/GDPR compromised Council's legislative obligations not met Providers are not able to be challenged as contract not in place when service is commenced Ombudsman X2 Social housing regulator REPUTATIONAL IMPACT Customer/service user complaints increase Member complaints increase Negative media coverage RESOURCE Contract manager resource requirement is increased (leading to impact on other duties) Other officer resource required to manage impacts (leading to impact on other duties) Re-procurement additional resourcing Project delay

SR305 Workforce

SR305 Workforce	
Description	Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.
Lead Officer	Johnson, Deb (SLT)
Support Officers	Sarah Lawrie

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	28-Feb-2024	3	C	Controlled	

Controls In Place	Business Planning embedded throughout the Council with clear links to Community Planning and Performance framework Managing absence standards and guidance

	Senior HR Officers provide support to Business Managers to manage staffing issues, e.g. sickness absence, capability etc. Effective communication arrangements are in place. Rolling programme of review for HR policies to ensure they remain robust and fit for purpose. I-trent system provides Business Managers with ownership / control over staff sickness/Holiday approval etc. and provides corporate overview HR working closely with Business Managers to support organisational change. Partnership approach with recognised trade unions to support organisational change and current pandemic crisis (and any other similar extraordinary event). Counselling/therapy and welfare support services in place for staff. Visible inclusive leadership. Annual employee establishment planning process. Training and development programme to support ongoing development of skills and competencies and BM and other staff (i.e. change management, sickness and performance management and recruitment and softer skills) Targeted training interventions to support individual employee development and the facilitation of succession management. Family friendly policies added benefits such as reduced gym membership staff loans, temporary free parking to support during the cost of living enhanced workplace entitlements to attract and retain quality candidates including hybrid working, flexible working, employee counselling and therapy services, health and wellbeing initiatives). Approved corporate priorities within the Community Plan 2019-23 Comprehensive programme of activities to embed our culture and improve our sense of wellbeing and belonging Annual staff reward and recognition awards and a basket of seasonal activities Apprenticeships and graduate placements to support service succession management.

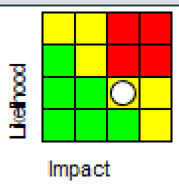
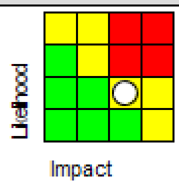
Risk Categories	Service delivery and resources Financial Compliance Governance Reputational Competence and Capability Leadership Recruitment and retention Mobility and agility of workforce Safety of workforce Increased instances of mental health problems in workforce Culture – One council
Trigger/Event	Key staff leaving e.g. with specific qualifications and/or experience and membership of professional body Number of staff leaving from one area/high turnover Inability to recruit to key posts or within a specific service area Lack of development opportunity Lack of team cohesion Lack of organisational culture/collaboration Lack of alignment with corporate values/behaviours/culture Pressure of work External Demand in a specific skill set Uncompetitive in the job market place Poor industrial relations and ineffective people management processes Working environment Key member of staff goes on long term sick, high level of sickness in one service area Uncertainty and/or significant change Aging workforce/retirement planning/succession planning Pandemic or other significant emergency Poor management/leadership

	Inability to provide equipment/tools to allow staff to effectively perform their duties (e.g. shortage of laptops due to global microchip shortages) Other external factors – cost of living, national shortages. Projected national living wage increase leads to inability on pay structure to accommodate National bargaining is protracted and leads to staff being disadvantaged Current JE process is not fit for purpose – outdated. Prolonged industrial action Equal pay claim
Impact	Service delivery impact –inability to deliver services or delivering reduced services Reputational impact through poor service delivery Reputation as an employer resulting in inability to recruit staff Loss of capacity/under resourced Loss of expertise and corporate memory High recruitment costs Additional time required to support recruitment activity and the induction of new staff and their development Additional training costs Impact on morale, culture and team performance Increased levels of staff absence (ill health) Increased levels of non-attendance in nominated workplace (lack of cohesion/culture) Loss of opportunity through loss of networks Increase in accidents Impact of potential civil claim (e.g. employment tribunal. insurance) or criminal actions Financial penalties/ombudsman decisions/other regulatory bodies Increased demand on corporate services (e.g. HR,ICT)

SR306 Corporate Governance

NEWARK & SHERWOOD DISTRICT COUNCIL

SR306 Corporate Governance	
Description	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.
Lead Officer	Bearman, Sue (SLT)
Support Officers	Nigel Hill, Nick Wilson, Carl Burns, Deb Johnson

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	28-Feb-2024	3	B	Controlled	

Controls In Place	**S Bearman to review controls and update accordingly** • Code of corporate governance created, maintained and monitored in accordance with CIPFA guidance. • Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically. • Periodic review of governance by 3 statutory officers.

	- Annual review of Constitution which includes fit for purpose and up to date -Officer code of conduct -Officer registers of interests - Related third party transactions. -Section 151 officer/Monitoring officer/Head of Paid Service. -Gifts and hospitality - policy and register place. -Council Financial regulations and procedures, -Contract procedure rules -Whistle blowing policy -Anti-fraud and corruptions strategy - Annual governance statement reviewed annually and reported to Audit and Governance Committee. Annual Governance Statement goes to November meeting of Committee - Creation of annual combined assurance report in conjunction with SLT and BMs. - Internal Audit work including risk-based Audit Plan. - Effective use of External Auditor. - Under executive arrangements with Cabinet structure and portfolio holders: -Publishing of forward plan and all delegated decisions -Mechanism for call in of all executive decisions -Overview by Audit and Governance Committee -Dedicated scrutiny committee under executive arrangements – Policy and performance improvement committee -Tenant engagement board which ensures appropriate tenant involvement - Staff and member training in place -Training on governance issues including anti-fraud and financial regulations. -Counter fraud training delivered -Member induction at the start of each new Council cycle. - Complaints: -Localised standards framework and effective arrangements for dealing with complaints overseen by Audit and Governance Committee. -Internal complaints procedure. - Fraud -Annual internal review of the Fraud Risk register to carry out proactive work, check on internal controls and is reported to members -Participation with National Fraud Initiative process -Options appraisal for counter fraud and implementation of preferred option. -Appropriate insurance cover including Fidelity Guarantee. -Oversight of Active4Today, Arkwood and East Midlands Building Control. -Appropriate monitoring of performance of the third party or alternative service delivery methods. - HR policies in place -Recruitment process controls, e.g. References, Immigration, DBS. - Horizon scanning at Business Manager briefings and effective communication between SLT and business managers. - Measures in place to ensure IR35 compliance - Schedules review of Corporate Governance (Q4 19/20 - Governance review ongoing with support from change to Executive Arrangements completed in May 2022 – 6-month review of effectiveness

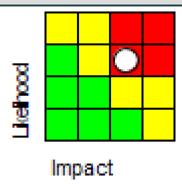
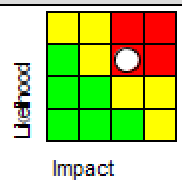
	of arrangements to be considered by Audit and Governance Committee in November 2022 • Internal Audit of governance arrangements for Council-owned companies in 2022-3 audit programme

Risk Categories	• Service delivery • Governance • Fraud • Poor decision making/leadership • Reputation • Financial • Legal compliance • Partners/stakeholders
Trigger/Event	• Failure to communicate, define, review and uphold governance standards policies to ensure fitness for purpose. • Failure of staff and councillors to understand their governance roles and responsibilities. • Failure to observe good governance. • Failure to adequately manage risk or monitor performance. • Failure in Policy adherence (All policies). • Malicious event e.g., Fraud, money laundering, etc. • Reduction in capacity and loss of key personnel and resources • Failure to adequately oversee governance standards of partnerships and other entities that the Council is involved in. • Failure of governance in wholly council owned companies • Failure of governance in partnership organisations • Negative findings identified by other organisations/bodies – Ombudsman and External Audit • Overuse of “Call-in”, “Call for action” or “Urgency provision” • Inexperience with new system – procedures set out in constitution not followed • Influx of new elected members • No overall control achieved
Impact	• Loss of opportunity and ability to meet corporate priorities • Financial resource loss. • Poor or inadequate decision making. • Service delivery issues. • Criminal or civil liability. • Risk of successful judicial review • Regulator finding fault e.g. Internal Audit, External Audit, Ombudsman. • Government or peer intervention. • Failure of Council owned companies • Failure of partnerships • Ombudsman findings – Maladministration • Significant Audit findings – e.g. Public interest report • Reputational risk to the Council. • Negative media coverage. • Policies could be open to challenge. • Excessive legal costs incurred. • Poor staff morale. • High staff turnover. • Community disengagement. • Capacity redirected to address failures. • Inappropriate use of public office

	• Fraud and corrupt practice identified. • Fraud and corruption practices not identified or dealt with leading to an incident of fraud and corruption. • Slowing down of decision making

SR307 Data Management and Security

SR307 Data management and security	
Description	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation
Lead Officer	Kohli, Sanjiv (SLT)
Support Officers	Dave Richardson, Sue Bearman, Stacy Carter

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	29-Feb-2024	3	C	Control Pending	

Controls in Place	**<u>Policy and Guidance</u>** Policy suite and supporting guidance including: ISMS Cyber security strategy IG strategy **<u>Training/ Guidance</u>** • Training for all staff taking payments in line with PCI-DSS requirements. • Training for ICT staff. • Data protection training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process. • Information governance check on furniture that is being disposed of. • Information E Training completed by all staff. • Annual review of Information Asset Register. • Annual mandatory GDPR, cyber and spear phishing online training for all staff and councillors. • Guidance and training available for elected members. 3 GDPR sessions provided for newly elected members. • Guidance on security breach procedures for Business Managers as Information Asset Owners • Data security communications to all staff following identification of risk **<u>Governance and Compliance</u>** • CIO/SIRO/DPO appointed • Compliance with the government's security arrangements. • PSN compliant data & internet connections implemented • Compliance with new Cabinet Office email standards achieved. • Weekly review of ICO guidance. • Periodic PCI/DSS compliance checks

	• Data Privacy Impact Assessment. • Annual SIRO audit. • Review of policies and procedures to ensure compliance with latest Payment Card Industry- Data Security Standard (PCI-DSS) • Cyber Security now standing agenda item on monthly business unit management meetings. • Governance arrangements established through CIGG with monthly review. • CIGG meeting every quarter to review risks. • External Audit on ICT security annually. • Implementation of an ISMS project team **ICT/Equipment specific controls** Encryption for mobile devices. • VASCO tokens and Google Authenticator. • Quarterly ICT security checks internally. • Penetration test annually by external company - monthly scans of servers for weaknesses, monthly server updates and monthly scans of Microsoft Office and Windows. • Perimeter software - eg. mailmarshall & webmarshall. • Hardening test on new virtual servers. • Documents scanned reducing the need for paper. • Secure server room. • East Midlands WARP membership - alerting networking facility regarding any breaches. • Monthly updates of Adobe products. • Program in place to ensure the continual maintenance & upgrade of the ICT environment. • Secure portal for Members to access the Extranet. • Airwatch MDM (Mobile Device Management) implementation for mobile devices. • DMark, DKim SPF and TLS secure email authentication software. • Cryptshare for encrypting secure emails and large files for email. • Report & record all cyber-attacks/attempts and escalate to CMT where appropriate Users own devices cannot connect to network • ‘Consent’ tick box on appropriate forms. **Partners and Stakeholder specific controls** • Non-disclosure agreements in place for third party access. • Use of data processing and agreements with partners. • Use of licensed confidential waste handler. • Letters sent to all third parties who process personal data on behalf of NSDC advising of additional responsibilities under GDPR and data processing agreements in place. • Actions arising from report to SLT on third party users implemented.

Risk Categories	Loss of vulnerable, personal, sensitive valuable data Legal compliance Reputation Financial Partners/stakeholders Disruption of service- including from a cyber attack Supply chain
Trigger/Event	**(Organisational)** • Personal, confidential or corporately sensitive/business critical information disclosed unintentionally or through error of judgement, data breach - intentional (malicious).

	• Theft or loss of equipment/papers/data belonging to the council, partners or third party companies. • Failure to respond to subject access requests/information requests accurately and within statutory timeframes • Failure to identify and respond to a data breach promptly and effectively • Failure to protect information from accidental loss, corruption or disclosure or other non compliance with Data Protection Principles, by NSDC or a third party, involving large volumes of personal data or smaller volumes of sensitive personal data • Repetition of reportable data security breach • Insufficient due diligence during procurement and termination of cloud base systems supported by third parties. • Accelerated delivery of digital agenda • Agile Working i.e. mobile/remote/home working/home printing/disposal of printed data/Outreach posts. • Loss of key resources/staff. • Reducing resources with less capacity for processing data. • New and inexperienced staff/elected members with access to data. • Lack of suitable training/competency/communications • Re-alignment and integration of new services **(Systems/assets)** • Cyber attack: (either targeted such as denial of service or unintentional human error e.g. - access to link on another website). • Failure to protect information assets from an internal malicious attack leading to a data breach, corruption of data assets, loss of asset or service. • Failure to adopt appropriate technical security measures for keeping data secure within our systems and platforms which results in a significant data breach • Accidental data breach through any electronic source • Use of BYOD (Bring your own device). • Unsupported software/unforeseen loss of support. • Decommissioning of property/asset **(Partners and stakeholders)** • Collaborative working, sharing, outsourcing and partnership working (including external printing and hybrid mail)/involvement in other peoples' data • Partnership working and sharing new service locations/data sharing issues. • Partner's/contractor's/host's poor data management and information security leading to data breach/loss. • Use of suppliers/third parties, etc. • Government integration agenda e.g. Increased working between public bodies • Local government reorganisation/Combined authority/change in service delivery model. • Third party access to IT systems. • Adoption of unsupported/dated systems from third parties **(Accreditations)** • Termination of PSN/GCSX standards by the Cabinet Office limiting options for securely sharing with some Public Sector organisations • Failure to comply with relevant standards and legislation including PCI-DSS/Cyber Essentials/NCSC best practice/PSN. **(External Factors)**

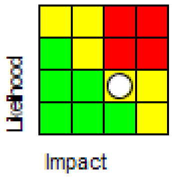
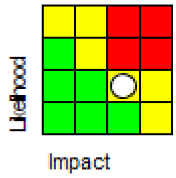
	• Emergency event-eg power loss – leading to increased reliance upon ICT systems and potential loss of data/corruption of data
Impact	**(Finance/legal)** • Loss/damage to an individual where the Council inappropriately released their personal data • ICO fine/Civil claims. • Resource impact of Information Commissioner investigation.eg ICO actions • Breach of Access to Information legislation bringing about financial/legal damage - imposed on the Council by the Information Commissioner and other Statutory Bodies. • Disciplinary action taken against a member of staff and elected members if a breach is found to be deliberate/malicious. **(Resource)** • Drain on resources to process and enable conformity in legislation. • Greater demand on existing resource • Operational and resource issues eg. Service interruption - where focus has to be taken away from service delivery to dealing with the breach. • Reduced service provision resulting from lack of ability to work remotely and available physical resource • Increased demand on existing services • Inability to deliver critical/key services • Capability of infrastructure/system to deliver services – i.e. increased demand during emergencies **(Reputation)** • Damage to reputation of the Council/trust by the public. • Loss of confidence within the Council • Loss of confidence with partners and stakeholders • Negative media coverage **(Partners)** • Loss of provision to customers and partners e.g. Active4Today, DWP, • CCTV (under current arrangements) leading to disputes over SLAs and contracts and potential loss of income, e.g. partner rent for Castle House. • Loss of partner data where the council is the data processor - subsequent impact on partner's reputation. • Withdrawal of service from partners and stakeholder • Cyber-attack leading to system downtime/damage/loss of data (Ransom Ware) and financial loss/ resource drain **(Contractors/supply chain)** • Less direct control over data as we procure, migrate to and terminate cloud base systems

SR308 Environment

NEWARK & SHERWOOD DISTRICT COUNCIL

SR308 Environment	
Description	Ability to meet requirements of the government's green agenda and aspirations/expectations of the NSDC community in delivering a greener/carbon neutral service.

Lead Officer	Finch, Matthew (SLT)
Support Officers	Briony Ashton, Stephen Young

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	26-Feb-2024	3	B	Control Pending	

Controls In Place	1) Climate emergency declared 2) Approved date for net neutral – 2035 3) Costed action plan to support net neutral date 4) Appointed Environmental Policy and Projects Officer 5) Climate emergency project working group – meets quarterly 6) Project working group for depot development 7) Annual report to P&F – Activities undertaken and carbon footprint 8) Internal Audit 9) Urban tree challenge grant – 4000 trees planted 10) Developed business cases for kerb side food Roll out of KGC 11) Financial planning – MTFP 12) Elected member working party utilised to develop climate emergency strategy plan 13) Community plan 14) Successful bidding - LAD2 funding allocation (£750k) 15) 2 x posts agreed for decarbonisation– 1 appointed

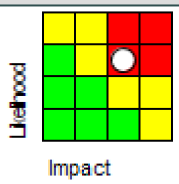
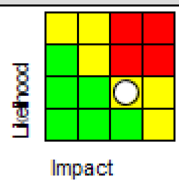
Risk Categories	Financial Reputation Statutory compliance Disruption of service-Pressure groups /community action Negative media/comms Capacity to deliver on successful funding
Trigger/Event	Climate change conference Government policies and legislation- i.e. national waste and resources strategy, environment bill, 2030 internal combustion engine phase out, national tree strategy. Budget pressure/planning/demand - MTFP Lack of financial support from government to implement Availability/cost/maturity of technology Incentivising of tariffs – cost v return Legacy issues -housing/fuels/infrastructure Resident/User engagement/participation - Behaviour change Active pressure groups Political influence Declaration of climate emergency Impact of media/social media events/influential individuals Poor communications Partnership failure Bidding arrangements/competition – restrictive nature of government funding to date Future resourcing to deliver Knowledge/skills gap within workforce
Impact	Not meeting governmental targets/internal targets Penalties -TBC Reputation Negative media

	Political/public pressure for improvement/campaigns against Increased scrutiny and workload Budget gaps Impact on other service provision Lack of infrastructure to improve Lack/loss of control in light of government mandated service provision Increased costs arising from emerging technology, reduced tariffs and government policy Unable to deliver due to access/obtain government funding/ technology Unable to deliver on climate strategy Customer disengagement Greater demand on external expertise leading to greater costs lower internal expertise

SR309 Statutory Compliance Management

NEWARK & SHERWOOD DISTRICT COUNCIL

SR309 Statutory compliance management	
Description	Implementation and maintenance of suitable statutory safety compliance management systems.
Lead Officer	Kohli, Sanjiv (SLT); Shead, Suzanne (SLT)
Support Officers	Mark Plant, Mark Eyre, Caroline Wagstaff

Current Risk Matrix	Date Last Reviewed	Impact	Likelihood	Risk Management	Target Risk Matrix
	19-Feb-2024	3	C	Control Pending	

Controls In Place	• Policies and procedures – (Need for policy review) • Dedicated Compliance teams and compliance reporting • Dedicated software –asset compliance/management software ICT systems • Contract management systems • Performance management systems • Training and competence Staff/tenants/contractor • Information/education to tenants • Enforcement of tenancy agreements • Assurance and scrutiny process – operational and committee levels • Use of specialist contractors/advisors • Competent/licenced/registered engineers/inspectors • Auditing and inspection processes • Reconciliation processes • Complaints processes • Tenant engagement • Maintenance/inspection programmes • Pre let inspections • Business planning • Compliance with regulatory standards • Legal/enforcement action/Fines/Regulatory judgement • H&S • Civil claims

	• Service delivery - Loss of essential service & System/equipment failure/out of use • Negative media coverage • Reputation • Customer satisfaction/impact • Financial impact (rectification • Increased resource demand • Housing Assurance Board

Risk Categories	• Legal/enforcement action/Fines/Regulatory judgement • H&S • Civil claims • Service delivery - Loss of essential service & System/equipment failure/out of use • Negative media coverage • Reputation • Customer satisfaction/impact • Financial impact (rectification) • Increased resource demand
Trigger/Event	• Poor management systems • Failure to undertake statutory examinations • Poor record keeping /management • Remedial works not undertaken in a timely manner • Contract management – controls to manage/address poor performance/contract exit arrangements, use of evergreen contracts (non-ending), poor procurement • Poor contractor engagement • Cyber-attack/Ransom ware –denied/denying access to records • Data protection loss/GDPR • Routine inspection/audit identifies failure • Incorrect response to an accusation, complaint or request for service • Unauthorised repairs, Sabotage, maintenance, alterations and installations • Pandemic • Emergency incident – fire, gas, flood, etc. • Hospitalisation/fatality - Investigations to establish cause/identify reports • Essential supplier chain failure/goes into administration. • Incorrect sub-contracting procedures • Change in legal/regulatory requirements • Failure of ICT and associated support systems • Recruitment – inability due to market demands • Loss of key personnel • Insufficient finance • Insufficient Resourcing • Changes in legislative/guidance requirements • Damp/mould – introduction of Social Housing Bill 2023
Impact	• Fines/enforcement action • Regulatory notice issued • Unable to deliver a suitable service/essential service • Resource demand/conflict • Financial – budget overspend, income generation/protection, rent loss, MTFP, viability of HRA business plan. Effect on GF income • Loss/reduction of service to Council, partners and tenants(commercial and domestic)

	• Reputation • Need to re home tenants • Leaseholders litigate • Negative local or national press coverage • Increased scrutiny/monitoring – customer, committees, Regulator etc. • Regulatory body short notice inspection • Self-referral to regulatory (co-regulation) • Commercial viability of building/site • Tenancy enforcement • Contract failure/suspension • Contract dispute • Increase turnover of staff • Inability to recruit the right staff • Poor morale/stress of workforce • Political engagement • Enforcement agency engagement • Accident/incident/poisoning • Civil claim due to failure • Criminal proceedings • Investigations to establish cause/identify reports for hospitalisation/fatality

Report to: Audit & Governance Committee Meeting 24 April 2024

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 2023/2024
Purpose of Report	*To provide Members with updates made to the Council's accounting policies in relation to the closedown of the 2023/2024 financial year.*
Recommendations	*Members approve the amended Statement of Accounting Policies for 2023/2024.*

1.0 Background

1.1 Prior to the completion of the Statement of Accounts for 2023/2024 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 2024.

1.2 The 2023/2024 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024 (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 2023/2024 Code include:

- *Confirmation in Module 1 Appendix B of the New or Amended Standards introduced in the 2023/24 Code.*
- *Updates to the methodology in Module 2, Section G for calculating year-end apportionment of NDR and council tax surpluses following the end of exceptional deficit 'spreading' provisions (SI 2020/1202), and for calculating year-end Balance*

Sheet apportionments for council tax related balances in areas subject to local government reorganisation.

- *Amendments to Module 3 in relation to IAS 8, to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.*
- *Amendments to Module 4 relating to the provision of temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. Where a local authority chooses to apply this temporary relief, the Code requires that additional information is provided to explain an authority's rationale for this decision.*
- *A new table within Module 4 providing a summary of the various prescriptions over time in local government financial reporting for infrastructure assets.*
- *The inclusion in Module 6 of the impact of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

2.2 The relevant key changes listed at 2.1 do not impact on the Councils accounting policies. A complete set of the Accounting Policies for 2023/2024 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.

Background Papers and Published Documents
Code of practice on local authority accounting in the United Kingdom – Guidance notes for practitioners 2023/24 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 2023/2024 financial year and its position at the year-end of 31 March 2024. 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 2023/2024 (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.

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 Policy 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 Policy 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.

<u>Financial Assets</u>

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).

<u>Financial Assets Measured at Amortised Cost</u>

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.

<u>Expected Credit Loss Model</u>

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 1.17 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

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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

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 (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve through 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 through 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.

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 through the Movement in Reserves Statement.

Operating Leases

Where the Council 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, even if this does not match the pattern of payments (eg 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

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.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Community Assets, Infrastructure Assets and Assets Under Construction are held at historical cost and are not revalued. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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).

Deprecation is calculated on the following bases:

Asset	Depreciation Method	Useful Life in Years
Council Dwellings	Straight line allocation over the life of the property as estimated by the Valuer	35-50
Other Buildings	Straight line allocation over the life of the property as estimated by the Valuer	20-100
Vehicle, Plant and Equipment	Straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer	5-10
Infrastructure	Straight line	10-50
Community Assets	Straight line	100
Surplus Assets	Straight line	10-100
Land	No depreciation charged	
Assets Under Construction	No depreciation charged	
Assets Held for Sale	No depreciation charged	

Investment Properties	No depreciation charged	

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.

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
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	*UNDERLYING PENSION ASSUMPTIONS FOR 2023/2024 STATEMENT OF ACCOUNTS*
Purpose of Report	*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 2023/2024 Statement of Accounts.*
Recommendations	*Members note and approve the assumptions used in the calculation of pension figures for 2023/2024.*

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 2022. 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 2023 to 31 March 2026 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

	2023/2024	2022/2023
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.	5.00%	4.50%
Pension Increase Rate (20 years) Public sector pension increases are linked to the Consumer Prices Index (CPI).	2.60%	2.80%

Based on market conditions at 31 January 2024, 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 Increase	Decrease in charge for cost of future pensions Increase in charge for cost of future pensions
Pension Increase Rate	Decrease Increase	Decrease in liabilities Increase in liabilities
Salary Increase Rate	Decrease Increase	Decrease in charge for cost of future pensions Increase in charge for cost of future pensions
Discount Rate	Decrease Increase	Reduction in liabilities 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.

Background Papers and Published Documents
Nil

BARNETT WADDINGHAM

beyond the expected

Accounting reporting as at

31 March 2024

Employer briefing note pre-accounting date

Barnett Waddingham LLP

14 February 2024

Contents

Introduction and executive summary 3
Valuation of the employer's assets 6
Asset performance 6
How are my assets valued? 6
Valuation of the employer's liabilities 7
Financial assumptions 7
Inflation expectations 11
Salary increases 15
Overall impact of changes to financial assumptions 16
Demographic assumptions 17
Mortality assumption 17
Other demographic assumptions 18
Additional requirements 19
Experience items allowed for since the previous accounting date 19
Accounting modeller 20
Asset ceilings 20
Valuation of unfunded benefits 22
Other considerations 23
McCloud/Sargeant judgments 23
Settlements and curtailments 23
Goodwin case 24
Guaranteed Minimum Pension (GMP) equalisation and indexation 25
Associated risks of participating in a defined benefit scheme 26

Introduction and executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2024 accounting exercise. This document is based on market conditions as at 31 January 2024. 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 2024 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 2023. For employers whose previous accounting date was not 31 March 2023, this briefing note provides a summary of our recommended assumptions for 31 March 2024 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
beyond the expected

How has the balance sheet changed over the year?

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

Variable/assumption	Impact on balance sheet?	Comments
Asset returns	↑	Asset returns for a typical LGPS fund have been higher than the discount rate assumed at the previous accounting date which will improve the balance sheet position. Please note that actual returns will vary between different LGPS funds.
Discount rate	↑	Discount rates have increased for most employers which will improve the balance sheet position.
Inflation	↑	Future inflation assumptions have decreased slightly for most employers which will improve the balance sheet position.
Allowance for inflation experience	↔	The 2024 pension increase at 6.7% is higher than the long-term average assumed. However, most employers will have made an allowance for observed inflation up to March 2023 at the previous accounting date. Inflation observed to December 2023 has been broadly in line with the long-term assumption. Therefore, we expect the experience to be fairly neutral for most employers.
Mortality	↑	We intend to update our mortality assumptions to adopt the 2022 Continuous Mortality Investigation (CMI) 2022 core projections model. The impact of this will be a further small reduction to life expectancies and improvement in the balance sheet position. For employers participating in Scottish LGPS funds we will allow for the updated assumptions of the 2023 actuarial valuation so may see an additional impact on their balance sheet position.
Overall	↑	**Overall, we expect the balance sheet position to improve compared with last year.**

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

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

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

How much will my IAS19/FRS102 report cost?

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

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

Where can I get further information?

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

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

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

Valuation of the employer's assets

Asset performance

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

A typical LGPS fund might have achieved a return of c9% for the period from 31 March 2023 to 31 January 2024. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy and depending on asset performance for the remaining two months to 31 March 2024.

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

How are my assets valued?

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

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

Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2024, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. Please note that for employers participating in English or Welsh funds, this will involve an update this year to be based on the fund's 2022 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 2024 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 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 January 2024.

Discount rate

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

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

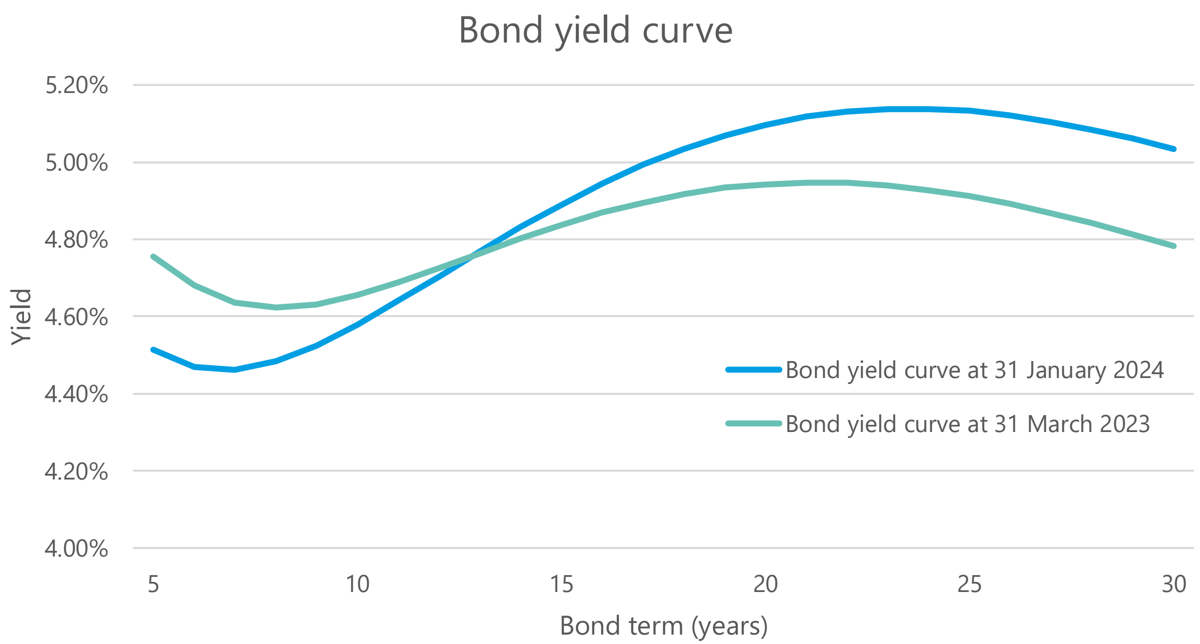
These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample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

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

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

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

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 January 2024:



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

You will see that the bond yield at 31 January 2024 is higher at the longer terms than at 31 March 2023, but lower at shorter terms. For most employers, the discount rate will be typically higher than that assumed at the previous accounting date.

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 an improvement in the overall position.

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

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

	Discount rate		Estimated impact of change on liabilities
Maturity	31 January 2024	31 March 2023	
Very Mature	4.70% to 4.85%	4.80% to 4.85%	Decrease of 0% to Increase of 1%
Mature	4.85% to 5.00%	4.80%	Decrease of 0% to 4%
Immature	5.00%	4.80%	Decrease of 4% to over 5%

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.

BARNETT WADDINGHAM
beyond the expected

Inflation expectations

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

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

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

Retail Prices Index (RPI) assumption

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

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

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

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

RPI assumptions under the three maturity scenarios are set out in the table below and based on market conditions at 31 January 2024, with the equivalent 31 March 2023 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI Inflation	
Maturity	31 January 2024	31 March 2023
Very Mature	3.25% to 3.50%	3.40% to 3.50%
Mature	3.00% to 3.25%	3.20% to 3.40%
Immature	2.95% to 3.00%	3.15% to 3.20%

Difference between RPI and CPI

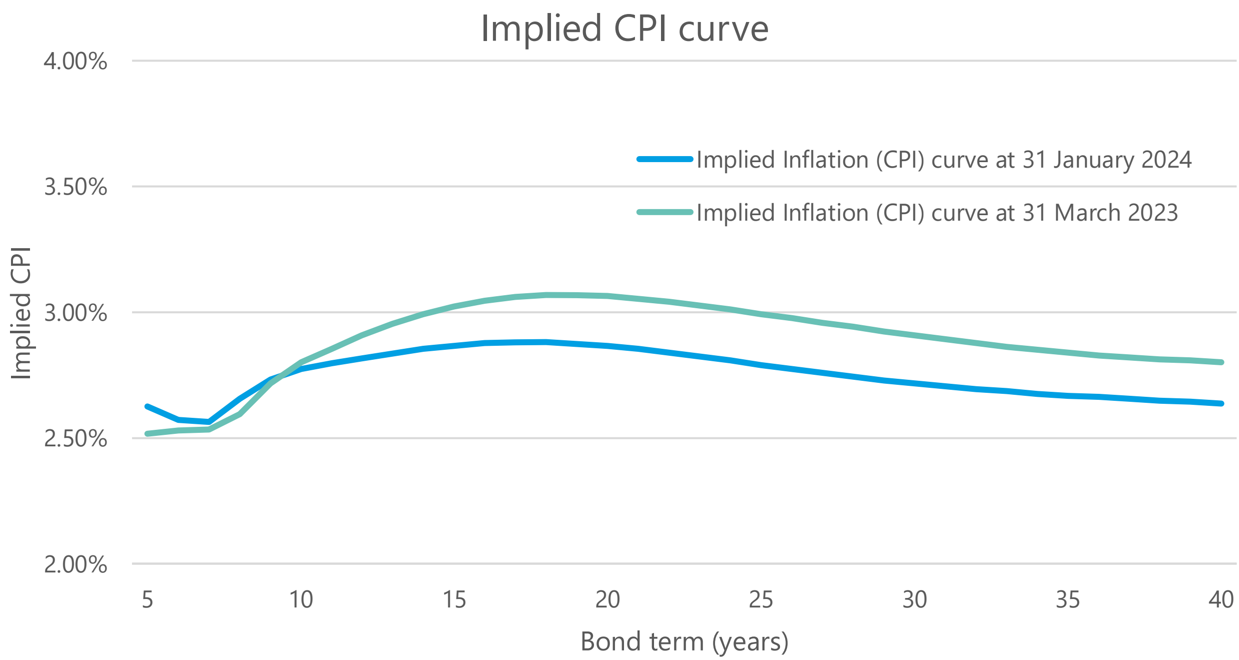
It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with market-implied inflation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

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

Consumer Prices Index (CPI) assumption

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

The resulting implied CPI curve at 31 January 2024 is shown below along with the implied CPI curve at the last accounting date for comparison:



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

As shown in the graph, the implied CPI curve at 31 January 2024 is lower compared to 31 March 2023, with the exception of the very short end. As a result, the assumed level of future pension increases will generally be lower than that assumed at the previous accounting date.

Source: Barnett Waddingham based on Bank of England data

All else equal, a lower pension increase assumption will result in a lower value being placed on the defined benefit obligation and improve the balance sheet position.

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

	CPI inflation		Estimated impact of change on liabilities
Maturity	31 January 2024	31 March 2023	
Very Mature	2.70% to 2.80%	2.65% to 2.85%	Decrease of 1% to Increase of 1%
Mature	2.70% to 2.80%	2.85% to 2.95%	Decrease of 1% to 4%
Immature	2.70% to 2.75%	2.85% to 2.90%	Decrease of 2% to 4%

Assumptions are rounded to the nearest 0.05%.

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

Comparison to previous accounting date

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

Agenda Page 117

Salary increases

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

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

Comparison to previous accounting date

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

Overall impact of changes to financial assumptions

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers based on assumptions derived as at 31 January 2024 under the three maturity scenarios:

Maturity	Estimated effect of change in financial assumptions on employer's liabilities
Very Mature	Decrease of 1% to Increase of 1%
Mature	Decrease of 1% to 7%
Immature	Decrease of 7% to over 9%

Based on market conditions at 31 January 2024, most employers will see the value of their defined benefit obligation decrease. However, the extent of this will depend on the employer's membership profile, cashflows over the year, experience and any bespoke assumptions or approaches.

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

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

Demographic assumptions

Mortality assumption

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

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

Base table mortality

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

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

For employers participating in a Scottish LGPS Fund, our standard approach is to update the mortality assumption to be based on those adopted for the fund's 31 March 2023 actuarial valuation. Employers may have had the option to allow for the fund's 2023 valuation mortality assumption in their 31 March 2023 accounting disclosure.

Future improvements to mortality

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

The CMI have released the 2022 version of their model and so we intend to further update our mortality assumptions to use the 2022 core model as standard for all employers. This represents a change from the last accounting date when either the 2020 or 2021 version of the model was used for most employers. The latest version of the core model places no weight on the exceptional mortality experienced during 2020 and 2021 as a result of the Covid pandemic, but places some reliance on mortality data that has been observed during 2022. Specifically, a weighting of 25% is applied to mortality in 2022. The impact of updating the model is expected to be a slight reduction in life expectancies for all employers, largely reflecting the heavier than average mortality that was experienced during 2022.

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

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

Other demographic assumptions

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

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

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

Additional requirements

Experience items allowed for since the previous accounting date

2023 valuation update

For employers in Scottish LGPS funds, the liability roll forward will be updated to be based on the fund's 2023 valuation. 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 England and Wales, an allowance for the most recently completed actuarial valuation will have already been made at the previous accounting date.

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 2023 (which determines the next pension increase order) 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 part-year inflation experience was made when preparing their 2023 year-end accounting balance position. This would have allowed for ONS CPI inflation up to March 2023, or the most recent available data at the time the report was prepared. The inflation experience to 31 March 2024 will allow for ONS CPI inflation observed over the year to March 2024.

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

The CPI inflation observed from last time's accounting date up to the most recent information has been broadly in line with the long term rate of inflation assumed over the same period for a typical LGPS employer. Therefore, the impact on the defined benefit obligation is likely to be fairly neutral for most employers.

Accounting modeller

Employers have an option to purchase our accounting modeller to help inform their decision on the financial and demographic assumptions used to produce their IAS19 or FRS102 pensions accounting report. For example, the modeller allows employers to change the 31 March 2024 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2024 and also on the Profit and Loss projections for the year to 31 March 2025. 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".

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, 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 admitted 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.
- 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.

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

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

ACTION: Employers should contact their auditor to consider which approach is most appropriate to use in the event a surplus is revealed on their 31 March 2024 position. Please note that additional fees will be incurred to allow for an asset ceiling calculation.

Valuation of unfunded benefits

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

For employers in English or Welsh funds, the unfunded liability will continue to be based on a roll forward of the results at the previous accounting date.

For employers in Scottish 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 2023 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.

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

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.

For employers in Scottish LGPS funds, the estimated cost of McCloud will be updated as part of the 2023 valuation update and this will reflect the approach adopted at the valuation in estimating the cost of the McCloud remedy. The difference between this cost and the cost previously incorporated into the employer's accounting liabilities will be reflected in the liability experience item.

Please see FAQs for further details.

Settlements and curtailments

Employers accounting under the IAS19 standard

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

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

Employers accounting under the FRS102 standard

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

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

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

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

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

Please see FAQs for further details.

Goodwin case

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

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

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

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC 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.

Associated risks of participating in a defined benefit scheme

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

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

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.

FRS102/IAS19/IAS26 Glossary and FAQs

Barnett Waddingham LLP
9 February 2023

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.

BARNETT WADDINGHAM
beyond the expected

Glossary of terms

Glossary of terms

Included in this section:

- Actuarial gains & losses
- Administration expenses
- 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
- Term
- 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.

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 detailed 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 results 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 paid through the fund 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. This is used interchangeably with the **term** of the liabilities.

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).

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. 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.

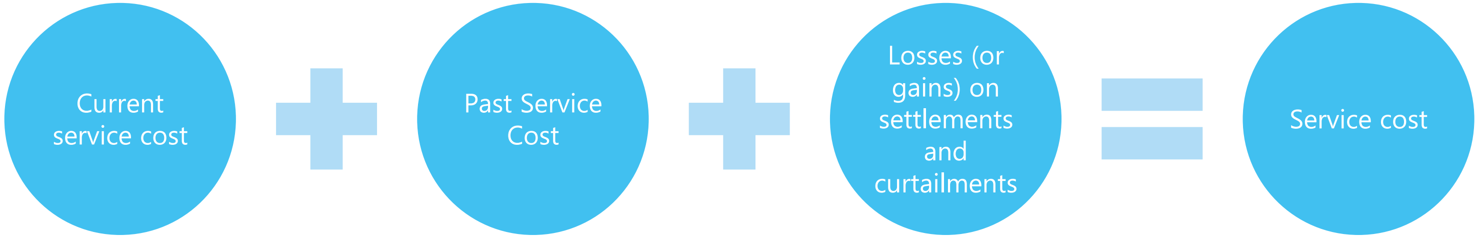
If the return on fund assets is lower than the discount rate this will result in an actuarial loss.

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.

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.

Term

Please see definition of **duration** above.

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 teacher's 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.

BARNETT WADDINGHAM
beyond the expected

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?

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 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.

BARNETT WADDINGHAM
beyond the expected

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 investment returns earned; and decreasing as benefits (such as lump sums and pensions) are paid out of the fund.

Thus, the employer's asset share is not a fixed percentage of the fund and is expected to vary over time.

We use market value of assets for FRS102 and IAS19 calculations therefore no smoothing factor is applied.

BARNETT WADDINGHAM
beyond the expected

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?

Unfunded benefits may be paid through the fund 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	• varies with active member payroll • changes in financial assumptions (at start of accounting period)
Interest cost	• change in discount rate assumption (at start of accounting period) • varies with size of defined benefit obligation
Change in financial assumptions	• 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	• 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	• not comparable with value at previous accounting date • depends on how actual experience incorporated compares with previous assumptions
Liabilities assumed / (extinguished) on settlements	• not comparable with value at previous accounting date • depends on settlement events
Estimated benefits paid net of transfers in	• not necessarily comparable with previous accounting date as includes one off cashflows (such as retirement lump sums)
Past service costs, including curtailments	• not comparable with value at previous accounting date • depends on past service costs and curtailment events
Contributions by Scheme participants and other employers	• varies with active member payroll
Unfunded pension payments	• changes in unfunded benefit 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	• change in discount rate assumption (at start of accounting period) • varies with size of fair value of Fund assets
Return on assets less interest	• not comparable with value at previous accounting date • depends on Fund return over accounting period and interest on assets
Other actuarial gains/(losses)	• not comparable with value at previous accounting date • depends on how actual experience incorporated compares with previous assumptions
Administration expenses	• varies with size of fair value of Fund assets • depends on fund's level of administration expenses
Contributions by employer including unfunded	• varies with active member payroll and unfunded benefits paid • depends on additional one off contributions
Contributions by Scheme participants and other employers	• varies with active member payroll
Estimated benefits paid plus unfunded net of transfers in	• not necessarily comparable with previous accounting date as includes one off cashflows (such as retirement lump sums)
Settlement prices received / (paid)	• not comparable with value at previous accounting date • depends on settlement events
Closing Fair value of Fund assets	

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 lower than the return assumed for a funding valuation as the fund is likely to invest in a mixture of assets include higher return seeking assets such as equities and property. Therefore we would expect that employers' costs and liabilities under FRS102/IAS19 will be higher than those calculated in a funding valuation as the discount rate used is lower.

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 to 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 **remeasurement** date.

Therefore this will be affected by:

- the difference in the assumptions adopted at the previous accounting date (and any remeasurement 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 remeasurement 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.

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 to 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 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 DLUHC 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.

On 13 May 2021 the Government issued a ministerial statement on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases relating to age discrimination. The statement confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. Draft regulations are expected in 2023 and are expected to come into force on 1 October 2023.

The potential cost of the judgment on employers' liabilities is very much dependent on the membership profile of the employer and assumed future salary increases. For example, an employer with a high proportion of active members with service in the remedy period and a high salary increase assumption is likely to be more affected than an employer with a low proportion of active members with service in the remedy period and a low salary increase assumption.

We have taken the view to include an allowance for the McCloud judgment in employers' accounting liabilities as a default unless the employer chooses to opt out. To estimate the cost of the remedy, we have estimated the equivalent final salary benefit that would have been earned instead of post 2014 CARE benefits by the active members since the 1 April 2014 Scheme reform (2015 for Scottish funds) up to 31 March 2022 (the date up to which the protections will apply). This approach essentially assumes that the draft remedy regulations will come into force.

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.

As this has just recently been announced, 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 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 vigorous 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 accounted for (or no longer in 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.

Agenda Page 154

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
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	*UNDERLYING VALUATION ASSUMPTIONS FOR 2023/2024 STATEMENT OF ACCOUNTS*
Purpose of Report	*To provide Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2023/24 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment).*
Recommendations	*Members note and approve the assumptions used in the calculation of asset valuation figures for 2023/2024.*

1.0 <u>Background</u>

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 Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum once every five years.

1.4 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.

1.5 The list of assets, excluding the Council Dwellings, which have been identified for revaluation during 2023/24 is attached at **Appendix B.**

1.6 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 2023/24 is a desktop review year as the previous financial year 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.

Background Papers and Published Documents

Nil

Valuation Report

IN RESPECT OF VALUATION OF LAND AND PROPERTY ASSETS FOR

NEWARK & SHERWOOD DISTRICT COUNCIL

2023/24 FINANCIAL PERIOD

Issued On: 16/04/2024

Valuation Date: 31/03/2024

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

Maldis@wilks-head.co.uk

WH&E WILKS HEAD & EVE

CHARTERED SURVEYORS AND TOWN PLANNERS

TABLE OF CONTENTS

SECTION ONE - INTRODUCTION 1
EXECUTIVE SUMMARY 1
PROCESS 1
VALUATION STATEMENT 2

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY 3
IDENTIFICATION AND STATUS OF THE VALUER 3
IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS 4
PURPOSE OF THE VALUATION 4
IDENTIFICATION OF ASSETS TO BE VALUED 4
DATE OF VALUATION 5
EXTENT OF INVESTIGATION 5
SOURCES OF INFORMATION 5
IFRS 13 FAIR VALUE – INVESTMENT AND SURPLUS ASSETS 6
VALUATION BASIS 8
VALUATION APPROACH AND REASONING 9
DEPARTURES 13
IMPAIRMENT 14
COMPONENTISATION 15
ADDITIONAL COMMENTS 16
AUDIT SUPPORT 16

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS 17
SPECIAL ASSUMPTIONS 17
ASSUMPTIONS 17
- *Planning Proposals* 17
- *Construction and State of Repair* 17
- *Hazardous or Deleterious Materials* 17
- *Contaminated Land* 17
- *Plant and Machinery* 18
- *Lotting* 18
- *Taxation* 18
- *Acquisition and Disposal Costs* 18
- *Energy Performance Certificates* 19
- *Sustainability* 20
- *Deminimis Levels of Value* 20

AUDIT COMMENTARY 20
NON-PUBLICATION CLAUSE 20
VALUATION DEFINITIONS 21
Definition of Fair Value (VPS 4 Section 7) 23
Definition of Market Value (VPS 4 Section 4) 24
Definition of Depreciated Replacement Cost – DRC method of valuation for financial reporting, 1st Edition. 25

COMPANY INFORMATION 26

SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to the valuation of the properties identified by the Authority under the revaluation programme for the 2023/24 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 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 2024, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

- £XXX,XXX,XXX
- (XXX 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 our in house RICS qualified Partners:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV
- M S Aldis Bsc (Hons) MRICS, IRRV (Hons)
- S O'Neill Bsc (Hons) MRICS IRRV.

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

- Client: Newark & Sherwood District Council
- Client Address: Council Offices, Castle House, Great N Road, Newark on Trent, Newark, NG24 1BY
- Contact: Andrew Snape

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

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.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

DATE OF VALUATION

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

31st March 2024

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:

- 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).

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

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 in to three levels and the Fair Value category is applied based on whether the Valuer has used more observable or unobservable inputs within the valuation.

To outline this hierarchy:

Level 1:

- The level 1 category is reserved for unadjusted quoted prices in active markets for identical assets.
- We are of the view that there are no assets within the portfolio which should be classed at Level 1 in the Fair Value hierarchy.

Level 2:

- Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset. Adjustments may be required based on perhaps location and condition.

- Significant Observable Inputs – Level 2:
    - Land assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality.
    - Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

Level 3:

- Level 3 inputs comprise unobservable inputs for an asset used to measure Fair Value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

- Significant Unobservable Inputs – Level 3:

  - We are of the view that there are no assets within the portfolio which should be classed at Level 3 in the Fair Value hierarchy.

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions, and layout,
- Location, visibility, and access
- Condition
- Lease covenants
- Obsolescence
- Construction

The aim is to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally, and financially possible.

This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

The Fair Value of the asset, for the current use, has been determined by applying an income or comparative approach based on the rental value of the property.

In most cases the assets have been leased on the open market and there are comparables to draw upon in relation to rental values, yields and rental growth.

Although there is an element of Valuer subjectivity, we are of the view that these valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

The Fair Value of assets, for the alternative use, has, in most cases, been derived using the sale comparison approach on a land / site basis. In some cases, we have explored other avenues in arriving at the Fair Value including conversion of the existing building.

Sale prices of comparable land in applicable uses and similar locations to the subject property are adjusted for differences in key attributes such as land size. End allowances have been included to reflect additional costs which may be appropriate such as demolition and planning.

No formal planning enquiries have been made regarding alternative use and assumptions have been made further to discussions with the Authority.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

This valuation model is based on a price per hectare and end allowances are based on percentages which have been arrived at via observable and unobservable comparable exercises completed within the locality.

It is important to note that to meet the objective of Fair Value measurement, IFRS 13 does not require that exhaustive efforts be undertaken to obtain information about market participant assumptions and expects that all information that is reasonably available to be considered. We have worked on this basis for this process.

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') – 2023/24.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards 2017: UK National Supplement – 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 (EUV) in accordance with the definitions in UK VPGA 6 and guidance in the Code
    - Existing Use Value – Social Housing (EUV-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.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

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.

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 good will.
  - 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
  - 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 deprecation rates of certain components are at their limit and an assumption is that routing 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 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 in 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 dependent 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 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 4 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 4 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 4 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 as defined within UK VPGA 7.

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

DEPARTURES

In addition to the above commentary in relation to the DRC method of valuation it should be noted that 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 auditor's comments we have received we have provided these valuations on the instant build approach.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IMPAIRMENT

We are aware that our valuation opinion provides a revaluation 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.

In particular, 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 Market Reviews on 31st March in each year (closing book date), if required by the Authority, which covers this aspect and therefore these elements are not specifically covered within the report unless noted within the individual valuation.

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 inflationary pressures, higher interest rates and currency movements.
  - These factors can lead to great volatility in property markets and 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 assets within the portfolio because of the invasion although we will continue to monitor as the crisis continues.

- The UK officially left the EU, and the transition period has come to an end as of 31st December 2020.
  - Whilst the deal provides a more certain position in relation to the UK’s future relationship with the EU the full implications of the deal will take some time to realise, and crucial elements are still be agreed currently.

- The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020

- This has ceased to be a public health emergency of international concern as of 5th May 2023 and property markets are functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

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 VPS 3 and 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 to 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.

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 in year 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 2024.

These circumstances may include material changes and new acquisitions and if required 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 additional explanation 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 asset 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 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 on 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.

  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.
- In determining the figure to enter into 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 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.
- 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 directly 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 reasonable 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 of 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.

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 as a result 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.
  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 2.6 (c) 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.

- **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.

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.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

Our letter of consent will be given when a final proof of the document is available, and the consent will refer to a specimen annexed 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 accept no responsibility whatsoever to any other person.

VALUATION DEFINITIONS

Full definitions are outlined below:

Definition of Existing Use Value (EUV) – UK VPGA6 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 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 4, 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.

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 4 Section 7)

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

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 4 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.

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 2017 (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.

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

Wilks Head & Eve LLP
3rd Floor
55 New Oxford Street
London, WC1A 1BS

Tel 020 7637 8471

Email Gharbord@wilks-head.co.uk

www.wilks-head.co.uk

WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

Newark & Sherwood District Council
Asset Valuation 31st March 2024

WHE Ref Number	WHE Check	Asset Reference	Address	Description	IFRS Categorisation	Valuation Method
8844/23001	8844/23001	B00012B&L	Newark Sports & Fitness	Leisure Centre	Property Plant & Equipment	DRC
8844/23002	8844/23002	B00013B,E&L	Dukeries Leisure Centre	Leisure Centre	Property Plant & Equipment	DRC
8844/23003	8844/23003	B00011B&L	Blidworth Community Leisure Centre	Leisure Centre	Property Plant & Equipment	DRC
8844/23006	8844/23006	B00406B	Castle House Council Offices	Council Offices	Property Plant & Equipment	DRC
8844/23007	8844/23007	B01103B&L	Palace Theatre Appleton	Theatre	Property Plant & Equipment	DRC
8844/23008	8844/23008	B00152B&L	National Civil War Centre	Museum	Property Plant & Equipment	DRC
8844/23018	8844/23018	B00009B&L	Lincoln Road Sport Pavilion	Other	Property Plant & Equipment	DRC
8844/23043	8844/23043	B01005L	Bridge Com Centre Lincoln Rd	Community Centres	Property Plant & Equipment	DRC
8844/23044	8844/23044	B01007B	Hawtonville Community Centre	Community Centres	Property Plant & Equipment	DRC
8844/23045	8844/23045	B01002B&L	Rainworth Village Hall	Community Centres	Property Plant & Equipment	DRC
8844/23004	8844/23004	B00204B&L	Brunel Drive Depot	Depot	Property Plant & Equipment	EUV
8844/23005	8844/23005	B00205B&L	Farrar Close Depot (NSH	Depot	Property Plant & Equipment	EUV
8844/23009	8844/23009	B01104B&L	Newark Beacon	Business Centres	Property Plant & Equipment	EUV
8844/23012	8844/23012	D00268	Land R/O 59, Clumber Avenue, Newark	Land	Property Plant & Equipment	EUV
8844/23013	8844/23013	D00355B&L	Buttermarket, Middlegate Newark	Other	Property Plant & Equipment	EUV
8844/23014	8844/23014	L00003B&L	Robin Hood Hotel Retail Units	Hotel	Property Plant & Equipment	EUV
8844/23015	8844/23015	B00325	Car Park, Bowbridge Road	Car Parks	Property Plant & Equipment	EUV
8844/23016	8844/23016	B00608B	Alexandra Lodge (New Temporary Accommodation)	Temporary Accomodation	Property Plant & Equipment	EUV
8844/23017	8844/23017	C00314	Land Lincoln Rd, Newark	Land	Property Plant & Equipment	EUV
8844/23019	8844/23019	B00010B&L	Sconce & Devon Park	Car Parks	Property Plant & Equipment	EUV
8844/23020	8844/23020	B00301	Forest Road Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23021	8844/23021	B00308	London Road Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23022	8844/23022	B00309	Baldertongate Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23023	8844/23023	B00310	Barnbygate Car Park Bar	Car Parks	Property Plant & Equipment	EUV
8844/23024	8844/23024	B00311	Appletongate Car Park Pay & Display	Car Parks	Property Plant & Equipment	EUV
8844/23025	8844/23025	B00312	Town Wharf Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23026	8844/23026	B00317	Palace Theatre Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23027	8844/23027	B00319	Riverside Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23028	8844/23028	B00321	Car Park rear of Odeon	Car Parks	Property Plant & Equipment	EUV
8844/23029	8844/23029	B00323	Riverside Arena Car Park	Car Parks	Property Plant & Equipment	EUV
8844/23030	8844/23030	B00463B	Gateway Lodge		Property Plant & Equipment	EUV
8844/23031	8844/23031	B00904B&L	Lorry Park Cafe	Cafe	Property Plant & Equipment	EUV
8844/23032	8844/23032	B00953B&L	Sconce & Devon Park Visitors Cen	Vistors Centre	Property Plant & Equipment	EUV
8844/23033	8844/23033	D00067B&L	Bilsthorpe Workshops	Industrial Units	Property Plant & Equipment	EUV
8844/23034	8844/23034	D00070B&L	Boughton Workshops	Industrial Units	Property Plant & Equipment	EUV
8844/23035	8844/23035	D00255	Misc Land Church Lane Bougton	Other	Property Plant & Equipment	EUV
8844/23036	8844/23036	D00351	Misc Land Newark Road, Wellow	Other	Property Plant & Equipment	EUV
8844/23037	8844/23037	D00352	Misc Land Corkhill Lane, Normanton	Other	Property Plant & Equipment	EUV
8844/23038	8844/23038	D00353	Misc Land Bathley Lane, Norwell	Other	Property Plant & Equipment	EUV
8844/23039	8844/23039	D00354	Field r/o Cricket Ground, Kelham Road	Other	Property Plant & Equipment	EUV
8844/23041	8844/23041	D00371	Land R/O 8, Abbey Rd, Blidworth	Other	Property Plant & Equipment	EUV
8844/23042	8844/23042	D00395L	Land at Second Avenue, Edwinstowe	Other	Property Plant & Equipment	EUV
8844/23010	8844/23010	B00956	Land at Lowfield Lane	Other	Property Plant & Equipment	FV
8844/23011	8844/23011	S00026B&L	Ollerton Hall	Other	Property Plant & Equipment	FV
8844/23040	8844/23040	D00365	Land btwn 18/20 The Copse, Farndon	Other	Property Plant & Equipment	FV

Valuation Report

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

NEWARK AND SHERWOOD DISTRICT COUNCIL

2023/24 FINANCIAL PERIOD

Issued On: 16/04/2024

Valuation Date: 31/03/2024

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

Gharbord@wilks-head.co.uk

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

TABLE OF CONTENTS

SECTION ONE - INTRODUCTION **1**
Executive summary 1
Process 1
Valuation statement 2
SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY **4**
Identification and status of the Valuer 4
Identification of the client and other intended users 5
Purpose of the valuation 5
Date of valuation 5
Extent of investigation 5
Sources of information 6
Valuation background 6
Property classification 7
Valuation basis 7
Vacant possession adjustment factor 8
Shared ownership 9
SECTION THREE – PROCESS AND METHODOLOGY **10**
Valuation criteria 10
Annual beacon methodology 10
Valuation approach 10
Asset group and archetype determination 11
Valuation commentary 11
Impairment 12
Market uncertainty 12
Componentisation 13
Additional comments 14
Audit support 14
SECTION FOUR – VALUATION ASSUMPTIONS **15**
Special assumptions 15
Valuation assumptions 15
Audit commentary 20
Non-publication clause 20
COMPANY INFORMATION **21**

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 2023/24 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 31st March 2024, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

Beacon Sample - Vacant Possession
- £XXX
- (XXX pounds)

Beacon Sample - EUV-SH
- £XXX
- (XXX pounds)

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

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 2024 is:

- £XXX
- (XXX pounds)

In addition, we understand that the EUV-SH value for the portfolio as at 31st March 2024 is:

- £XXX
- (XXX pounds)

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.

SECTION ONE - INTRODUCTION

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 our in house RICS qualified Partners:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV
- M S Aldis Bsc (Hons) MRICS, IRRV (Hons)
- S O'Neill Bsc (Hons) MRICS IRRV.

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

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

- Client: Newark & Sherwood District Council.
- Client Address: Council Offices, Castle House, Great N Road, Newark on Trent, Newark, NG24 1BY.
- Contact: Andrew Snape

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 2024

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
- 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 specified is given in DoE circular 8/95. If we considered 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') – 2023/24.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019).
- 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 2017 UK National Supplement – 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 on 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%

South West	31%	35%

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 the 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 in the course of 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 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 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 inflationary pressures, higher interest rates and currency movements.
  - These factors can lead to great volatility in property markets and 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 assets within the portfolio because of the invasion although we will continue to monitor as the crisis continues.

- The UK officially left the EU, and the transition period has come to an end as of 31st December 2020.
    - Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise, and crucial elements are still be agreed currently.

- The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020
    - This has ceased to be a public health emergency of international concern as of 5th May 2023 and property markets are functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

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 VPS 3 and 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 asset i.e., in this case, the amount consumed in providing the service of social housing. This cost of use includes the 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 on 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 over time should be reflected in the revenue account.

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

SECTION THREE – PROCESS AND METHODOLOGY

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 the additional componentisation will impact on the actual depreciation charge, needs to be considered. If the impact is minimal then 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 in year 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 2023.

These circumstances may include material changes and new acquisitions and if required 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 additional explanation 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 as a result 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 the majority of 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 make the assumption 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;
(c) Any subsequent sale would be subject to all of the above special assumptions.

SECTION FOUR – VALUATION ASSUMPTIONS

For leasehold properties IFRS introduced significant changes to the treatment of leased assets for capital accounting purposes. Currently the standard adopted is IAS 17.

In summary these classifications will require the following valuations.

i. Lessee of Operating Lease – no value required as not captured on the balance sheet.
ii. Lessor of Operating Lease – usually accounted for as an Investment Property (IAS 40).
iii. Lessee of Finance Lease – CV of the lease interest (which is not the value of the legal interest in the lease but the underlying freehold existing use value of the property as if owned as risks and rewards of ownership are considered to have transferred).
iv. Lessor of Finance Lease – no figure normally required from the Valuer.

Other assumptions

- Planning Proposals
    - We have not made formal written enquiries of 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 have an effect on 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 asset value.

- 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.

SECTION FOUR – VALUATION ASSUMPTIONS

- 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 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 on 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 a number of 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.

  - 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.

    - In determining the figure to enter into 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 directly 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 reasonable 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 of 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 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.
  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 2.6 (c) 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.

- 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.

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 a final proof of the document is available, and the consent will refer to a specimen annexed 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 accept no responsibility whatsoever to any other person.

COMPANY INFORMATION

Wilks Head & Eve LLP
3rd Floor
55 New Oxford Street
London, WC1A 1BS

Tel 020 7637 8471

Email Gharbord@wilks-head.co.uk

www.wilks-head.co.uk

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting - 24 April 2024
Director or Business Manager Lead:	Sue Bearman – Assistant Director Legal & Democratic Services and Monitoring Officer
Lead Officer:	Sue.Bearman@nsdc.info 01636 655935

Report Summary	
Report Title	Annual Review of the Council's Constitution
Purpose of Report	An annual report to consider any updates or amendments that may be required to the Council's Constitution
Recommendations	That the following sections of the Constitution are reviewed by Members of Audit & Governance Committee at an informal workshop, and that proposals are presented at the earliest opportunity to Committee for formal consideration: - 1. The Petition Scheme 2. Full Council Procedure Rules – Petitions and Annual Budget 3. Local Code on Corporate Governance 4. Other minor amendments proposed by the Monitoring Officer
Reason for Recommendation	To ensure the Constitution is up to date and fit for purpose

1.0 Background

1.1 The Full Council adopted a revised version of the Constitution in May 2022 when the Council moved to Executive Arrangements (the Cabinet System). Since that date, some minor amendments and updates have been made. Audit & Governance Committee most recently considered the Constitution in November 2023 when it recommended to Full Council that amendments be made to allow for public speaking at Planning Committee. That amendment has since been approved by Full Council.

1.2 Audit & Governance Committee is responsible for overview of the Constitution, and the Work Programme includes an annual review.

2.0 Proposal/Options Considered

2.1 The Petition Scheme is set out in the 'Public Participation' section of the Constitution. It was not reviewed in detail when the Constitution was updated in 2022 and a review is now considered appropriate to make sure the Council is following best practice, and that the Scheme is clear in terms of how the Council will respond to petitions, how E-Petitions will be dealt with and so on.

2.2 The Full Council procedure rules for handling petitions were reviewed and updated in 2022. While the Scheme is being reviewed it is considered timely to review how the procedure rules are operating in practice.

2.3 The Full Council procedure rules for the Council's General Fund Budget and Precept or Housing Revenue Account Budget and Rent Setting were also reviewed and updated in 2022. It is considered however that greater clarity in relation to motions for amendment might be helpful.

2.4 The Local Code of Corporate Governance is set out in the 'Protocols' section of the Constitution. It was not reviewed in detail when the Constitution was updated in 2022 and requires some updating.

2.6 The proposal is for all Members of Committee to be invited to an informal workshop to consider updates and amendments before proposals are presented formally to Committee. The Monitoring Officer will consider if any additional minor amendments or updates can be included for discussion.

2.7 The Council's Acquisitions and Disposals Policy is set out in the 'Financial Governance' section of the Constitution. Officers in Corporate Property and Housing have identified that some additional provisions in respect of Housing Revenue Account land would be helpful. Officers will review this Policy separately and consult with relevant Portfolio Holders as appropriate before bringing any proposed revisions to Audit & Governance Committee.

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.

3.1 There is no longer a legal requirement for local authorities to adopt a petition scheme.

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.

The Council's Constitution is published on its website - *https://www.newark-sherwooddc.gov.uk/constitution/*

Full Council report May 2022 – Item 8 - *https://democracy.newark-sherwooddc.gov.uk/ieListDocuments.aspx?CId=139&MId=569*

Audit & Governance report November 2023 – Item 10 - *https://democracy.newark-sherwooddc.gov.uk/ieListDocuments.aspx?CId=298&MId=877*

Full Council report January 2024 – Item 11 - *https://democracy.newark-sherwooddc.gov.uk/ieListDocuments.aspx?CId=139&MId=894*

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting - 24 April 2024
Director or Business Manager Lead:	Sue Bearman – Assistant Director Legal & Democratic Services, Monitoring Officer
Lead Officer:	Sue.Bearman@nsdc.info 01636 655935

Report Summary	
Report Title	Review of Arrangements for dealing with Code of Conduct Complaints regarding Councillors
Purpose of Report	To commence a review of the Council's Arrangements for dealing with Code of Conduct Complaints regarding Councillors
Recommendations	That the Council's Arrangements for dealing with Code of Conduct Complaints regarding Councillors are reviewed by Members of the Audit & Governance Committee at an informal workshop, and that proposals are presented at the earliest opportunity to the Committee for formal consideration
Reason for Recommendation	To ensure arrangements are up to date and fit for purpose

1.0 Background

1.1 Audit & Governance Committee is responsible for overview of the Council's Members' Code of Conduct, arrangements for dealing with Code of Conduct complaints and associated protocols, recommendations as to the adoption of and/or amendments to the Code, arrangements, and associated protocols.

1.2 The Full Council adopted the Local Government Association's (LGA) Model Code of Conduct for Councillors in July 2021, subject to minor local amendment. The LGA had developed a Model Code following consultation with the local government sector.

1.3 Since then the LGA has published detailed guidance to assist local authorities implement the Code of Conduct and handle complaints.

1.4 In June 2023 Audit & Governance Committee agreed that a review of the process for dealing with complaints be added to the Committee's work programme, and for that review to include a review of the role of Independent Persons.

2.0 Proposal/Options Considered

2.1 The proposal is for all Members of Committee to be invited to an informal workshop to consider updates and amendments to the Council's Arrangements for dealing with Code of Conduct Complaints regarding Councillors, before proposals are presented formally to Committee.

2.2 The review will include consideration of relevant LGA guidance, consultation with the Council's Independent Persons, and consideration of the time commitment required by the Independent Persons to undertake the role.

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.

3.1 It is a legal requirement for the Council to adopt a code of conduct consistent with the Nolan Principles of standards in public life including provision for the registration of interests; and to have arrangements in place under which allegations can be investigated, and decision on allegations made. It is also a legal requirement to appoint at least one independent person.

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.

Current arrangements for dealing with Councillor Code of Conduct complaints are published on the Council's website - https://www.newark-sherwooddc.gov.uk/media/nsdc-redesign/documents-and-images/your-council/your-council/councillors-and-committees/code-of-conduct/complaintFormGuidance.pdf

The Council's Constitution is published on its website and includes the Code of Conduct - *https://www.newark-sherwooddc.gov.uk/constitution/*

Full Council report July 2021 – Item 24 - *https://democracy.newark-sherwooddc.gov.uk/ieListDocuments.aspx?CId=139&MId=564*

Audit & Governance Committee report June 2023 – Item 9 - *https://democracy.newark-sherwooddc.gov.uk/ieListDocuments.aspx?CId=298&MId=874*

LGA Guidance on LGA Model Councillor Code of Conduct - https://www.local.gov.uk/publications/guidance-local-government-association-model-councillor-code-conduct

LGA Guidance on Member Model Code of Conduct Complaints Handling - https://www.local.gov.uk/publications/guidance-member-model-code-conduct-complaints-handling

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to: Audit & Governance Committee Meeting 24 April 2024

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

Lead Officer: Dave Richardson, Business Manager – ICT & Digital Services Ext 5405

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
Reasons 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 as Appendix A.

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 That the CIGG continue to progress the review of the Cyber360 action plan and update elected Members, which is 50% complete.

3.0 Implications

None.

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. Any documents that contain confidential information or personal information about individuals should not be included in this list.

NEWARK & SHERWOOD
DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 24 April 2024
Director or Business Manager Lead:	Nick Wilson, Business Manager – Financial Services Sue Bearman, Assistant Director - Legal & Democratic Services

Report Summary	
Report Title	Audit & Governance Committee Work Plan
Purpose of Report	Work Plan attached for consideration and approval
Recommendations	That the Audit & Governance Committee consider the Work Plan for approval.

AUDIT & GOVERNANCE COMMITTEE
MEETING DATE 24th APRIL 2024 **WORK PLAN**

Meeting date at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
3 July 2024	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective, to be presented to the Committee twice a year.
	Biannual Review of the Effectiveness of the Internal Audit Function and the	Nick Wilson	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place, update presented to the Committee on a 6 monthly basis.
	Annual Internal Audit Report 2023/24	Phil Lazenby (TIAA Ltd)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	External Audit Plan for 2023/24 Accounts	Mark Surridge (Mazars)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts, Value for Money arrangements and Grant claims
	Treasury Management Outturn Report 2023/24	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	Housing Compliance	Suzanne Shead	
	Sector Risk Analysis	Nick Wilson/Suzanne Shead	

	Annual Code of Conduct Complaints Report	Sue Bearman	
	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to each meeting of the Audit & Governance Committee.
25 September 2024	Q1 Budget Performance Report 2024/25	Nick Wilson	To ensure the sustainability of the Council's General Fund, HRA and Capital Programme through the in-year monitoring of the budgets.
	Internal Audit Progress Report 2024/25	Phil Lazenby (TIAA Ltd)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Complaints Performance Q1 Update Report	Carl Burns	
	Local Government Association Peer Review including any governance arrangements implications	Sue Bearman	
	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to each meeting of the Audit & Governance Committee.
11 December 2024	Internal Audit Progress Report 2024/25	Phil Lazenby (TIAA Ltd)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit Annual Governance Report 2023/24	TBC (Mazars)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money

	Statement of Accounts 2023/24 & Annual Governance Statement	Nick Wilson	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Q2 Budget Performance Report 2024/25	Nick Wilson	To ensure the sustainability of the Council's General Fund, HRA and Capital Programme through the in-year monitoring of the budgets.
	Financial Governance	Nick Wilson/Suzanne Shead	
	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to each meeting of the Audit & Governance Committee.
19 February 2025	Internal Audit Progress Report 2024/25	Phil Lazenby (TIAA Ltd)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Q2 Budget Performance Report 2024/25	Nick Wilson	To ensure the sustainability of the Council's General Fund, HRA and Capital Programme through the in-year monitoring of the budgets.
	Budget Reports 2025/26	Nick Wilson	To review the Councils General Fund revenue budget, Capital Programme and Medium Term Financial Plan.
	Draft Treasury Strategy 2025/26	Andrew Snape	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite

	Draft Capital Strategy 2025/26	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2025/26	Andrew Snape	The investment strategy meets the requirements of statutory guidance issued by the government relating to the Councils Treasury and Non-Treasury investments.
	Annual Review of the Gifts and Hospitality Protocol and Policy	Sue Bearman	An annual review of the operation of the Council's Gifts and Hospitality arrangements
	Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report	Sue Bearman	For the Committee to be aware of the use of RIPA activities as the RIPA policy requires annual reporting to this Committee.
	Annual Review of the Council's Whistleblowing Policy	Sue Bearman	A summary of actions taken will be reported back to Committee as an annual report
	Review of Significant Issues in the Annual Governance Statement	Sue Bearman	To update members of the Audit & Governance Committee on the significant governance issues identified in the Annual Governance Statement.
	Housing Ombudsman Annual Review Update	Jill Baker	To inform Members of the Housing annual review updates
	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to each meeting of the Audit & Governance Committee.
19 March 2025	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to each meeting of the Audit & Governance Committee.
23 April 2025	LGA Newark and Sherwood District Council Cyber 360 Progress Report	Dave Richardson	To provide the RAG rating together with a progress report of the review of the Cyber 360 Action Plan to be presented to

			each meeting of the Audit & Governance Committee.

Document is Restricted