Castle House
Great North Road
Newark
NG24 1BY

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

Tuesday, 8 April 2025

Chair: Councillor R Holloway
Vice-Chair: Councillor S Michael

Members of the Committee:

Councillor R Cozens
Councillor P Farmer
Councillor S Forde
Councillor A Freeman
Councillor J Hall
Councillor P Harris
Councillor S Haynes
Councillor C Penny
Councillor M Shakeshaft
Councillor T Thompson

MEETING:	Audit and Governance Committee
DATE:	Wednesday, 16 April 2025 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

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, 19 February 2025 at 6.00 pm.

PRESENT: Councillor R Holloway (Chair)
Councillor S Michael (Vice-Chair)

Councillor R Cozens, Councillor S Forde, Councillor A Freeman, Councillor S Haynes, Councillor C Penny, Councillor M Shakeshaft and Councillor T Thompson and Mr C Richardson (Non-Voting Co-Optee)

ALSO IN ATTENDANCE: Councillor N Allen

APOLOGIES FOR ABSENCE: Councillor J Hall and Councillor P Harris

135 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.

136 DECLARATIONS OF INTEREST FROM MEMBERS AND OFFICERS

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

137 MINUTES OF THE MEETING HELD ON 11 DECEMBER 2024

AGREED that the minutes from the meeting held on 11 December 2024 be approved as a correct record and signed by the Chair.

The Chair informed the meeting that report items 16 and 17 would be taken first.

138 MEMBER SURVEY

The Committee considered the report from the Director of Customer Services & Organisational Development reporting back on the outcomes of the Member Survey.

The survey was completed by 20 members out of 39 which is just over a 50% completion rate. Of those completing the survey 9 of the members were new members joining the council in May 2023 and 11 were existing members.

AGREED (unanimously) that:

a) Members noted the report; and

b) Members approved officers to undertake work to develop an action plan.

139 CUSTOMER FEEDBACK - HALF YEAR 1 - 2024/2025

The Committee considered the report from the Director of Customer Services & Organisational Development.

The Customer Feedback report is an opportunity for the Committee to see what complaints are being submitted across the organisation for half year 1. It gives an opportunity to understand how the customer is receiving the services we deliver and is a form of performance management to inform how well we are doing and where we can improve.

AGREED (unanimously) that the Audit & Governance Committee meeting noted the Customer Feedback Half 1 report and recommend PPIC conduct a performance review for any areas of concern.

140 INTERNAL AUDIT PROGRESS REPORT 2024/25

The Committee considered the report from Philip Lazenby, Director of Audit (TIAA) providing a summary of Internal Audit work undertaken during 2024/25 against the agreed audit plan.

The report reminded Members of the audits that are in the Internal Audit Plan for 2025/26.

AGREED (unanimously) that:

a) the Members considered and commented upon the internal audit progress report and noted its content; and

b) the Members reviewed the Internal Audit Plan for 2025/26 and made comment where appropriate, providing provisional approval.

141 EXTERNAL AUDITORS ANNUAL AUDIT COMPLETION REPORT

The Committee considered the report from the Business Manager for Financial Services presenting the External Auditor's Annual Audit Completion Report for Newark and Sherwood District Council for 2023/24.

The representative from Mazars, Mark Surridge presented the External Auditor's report.

The report confirmed that the External Auditor has issued an unqualified opinion of the 2023/24 Statement of Accounts.

AGREED (unanimously) that:

a) Members received the External Auditors Annual Audit Completion Report for 2023/24;

b) Members noted the adjustments to the financial statements set out in the report: and

c) the letter of representation signed by the Director of Resources – S151 Officer and the Chair of the Committee, be approved.

142 EXTERNAL AUDITORS ANNUAL AUDIT REPORT

The Committee considered the report from the Business Manager for Financial Services presenting the External Auditor's Final Annual Audit Completion Report for Newark and Sherwood District Council for 2023/24.

The representative from Mazars, Mark Surridge, presented the report at Appendix A.

The Annual Audit Report confirmed that the External Auditor anticipates issuing an unqualified opinion of the 2023/24 Statement of Accounts. Approval of the Statement of Accounts by this Committee is being taken elsewhere on the agenda.

AGREED (unanimously) that:

a) Members received and noted the External Auditors Final Annual Audit Report for 2023/24; and

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

143 APPROVAL OF THE STATEMENT OF ACCOUNTS

The Committee considered the report from the Business Manager for Financial Services providing the Council's Statutory Accounts for the financial year ended 31 March 2024.

The report informed Members that this would be the final version of the Statement of Accounts, having brought the draft to the Audit & Governance Committee on 31 July 2024.

It was noted to update the final documents with the new Chair's details.

AGREED (unanimously) that:

a) Members approved the Annual Governance Statement for the financial year ended 31 March 2024 ;

b) Members approved the Audited Statement of Accounts for the financial year ended 31 March 2024; and

c) Members noted that as per the previous report the S151 Officer and the Chair have signed the Letter of Representation.

144 BUDGET REPORTS 2025/26

The Committee considered the report from the Business Manager for Financial Services providing Members with reports which have been approved at Cabinet on 18 February 2025:

General Fund Revenue Budget 2025/26
General Fund Medium Term Financial Plan 2025/26 – 2028/29
Capital Programme 2025/26 – 2028/29

AGREED (unanimously) that Members received and noted the reports that were presented to Cabinet on 18 February 2025.

145 CAPITAL STRATEGY 2025/26

The Committee considered the report from the Assistant Business Manager for Financial Services seeking Committee approval to the Capital Strategy 2025/26, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

AGREED (unanimously) that: the Committee approved each of the following key elements and recommends these to Full Council on 6 March 2025 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Capital Strategy 2025/26 Appendix A.
- The Capital Prudential Indicators and Limits for 2025/26, 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.

146 INVESTMENT STRATEGY 2025/26

The Committee considered the report from the Assistant Business Manager for Financial Services providing the Investment strategy for 2025/26, meeting the requirements of statutory guidance issued by the Minister of Housing, Communities and Local Government (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 6 March 2025 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Investment Strategy 2025/2 Appendix A.
- The Investment Prudential Indicators and Limits for 2025/26, contained within Appendix A.

147 TREASURY MANAGEMENT STRATEGY 2025/26

The Committee considered the report from the Assistant 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 6 March 2025 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Treasury Management Strategy 2025/26, 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.

148 REVIEW OF SIGNIFICANT ISSUES IN THE ANNUAL GOVERNANCE STATEMENT

The Committee considered the report from the Business Manager for Financial Services providing an update to Members of the Audit & Governance Committee on the significant governance issues identified in the Annual Governance Statement.

At the meeting of the Audit & Governance Committee on 31 July 2024, Members approved the draft Annual Governance Statement for the Council for financial year ended 31 March 2024; part of the Council's Statement of Accounts. The Annual Governance Statement has not been amended since that point and is attached to the Audited Statement of Accounts report on this Committee's agenda for final approval. To ensure that Members can undertake their assurance role, this report updates the Committee on the status of the governance issues identified within the Annual Governance Statement.

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

149 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.

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.

150 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 report highlighted that there would be a reissuing of the guidance.

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 and that an awareness raising exercise be undertaken during the next year.

151 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - ANNUAL REPORT

The Committee considered the report from the Principal Legal Officer and RIPA Co-ordinator, reporting to the Committee:

i. Activity by the Council under RIPA from 2023 to December 2024
ii. IPCO Inspection
iii. Relevant minor amendments to the RIPA Policy
iv. An update on mandatory training for officers

The internal policy, including the names of relevant Authorising officers, the Senior Responsible Officer and RIPA Co-ordinator is on the intranet and provides much more detailed information on how surveillance techniques may or may not be used and will be available on the internet and intranet. Minor amendments have been made to the policy to reflect changes in names/job titles of relevant officers and some improvements to level of detail and layout.

AGREED (unanimously) that Members noted the report and agreed the minor amendments.

152 CODE OF CONDUCT - UPDATE AND GOVERNMENT CONSULTATION

The Committee received the report from the Assistant Director Legal & Democratic Services and Monitoring Officer to consider an update on Code of Conduct complaints and the Government Consultation on Strengthening the standards and conduct framework for local authorities in England.

This consultation seeks views on introducing a mandatory minimum code of conduct for local authorities in England, and measures to strengthen the standards and conduct regime in England to ensure consistency of approach amongst councils investigating serious breaches of their member codes of conduct, including the introduction of the power of suspension. The consultation document including proposed response is attached as the Appendix to this report.

The report asked the committee to consider the draft response and Members may also wish to send their own individual responses.

AGREED (unanimously) that:

a) the report be noted; and

b) the Committee approve a Council response to the Government consultation as set out in the Appendix to the report subject to changing the answer to question 12 to ‘unsure’.

153 MEETING DAY OF THE AUDIT AND GOVERNANCE COMMITTEE

The Committee considered the report from the Assistant Director Legal & Democratic Services and Monitoring Officer to consider the best day for Committee meetings going forward.

AGREED that the meeting day of the Audit and Governance Committee revert back to a Wednesday and the dates for the meeting schedule in 2025/26 be subject to agreement with the Leader of the Council.

154 AUDIT AND GOVERNANCE COMMITTEE WORK PLAN

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

AGREED (unanimously) that the Work Plan be noted.

155 DATE OF NEXT MEETING - 19 MARCH 2025

Meeting closed at 7.30 pm.

Chair

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 16 April 2025
Director Lead:	Sanjiv Kohli, Deputy Chief Executive/Director of Resources (S151 Officer)
Lead Officer:	Nick Wilson, Business Manager – Financial Services Ext 5317

Report Summary	
Report Title	Annual External Audit Strategy Memorandum 2024/25
Purpose of Report	To present the External Audit Strategy Memorandum for the 2024/25 Statement of Accounts work for members to review and comment.
Recommendations	Members to note the External Audit Strategy Memorandum.
Reason for Recommendation	To provide Members with details of External Audits work in relation to the Council's Statement of Accounts for 2024/25.

1.0 <u>Introduction</u>

1.1 The External Audit Strategy Memorandum (Appendix A) sets out the proposed work of the Council's external auditors for 2024/25, relating to the audit of the financial statements and the commentary on the Council's Value for Money arrangements.

1.2 The strategy describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the proposed audit fee.

1.3 The audit approach for the financial statements and Value for Money, is in line with the same approach as in previous financial years. Similarly, the key areas of significant risk is the same as per previous financial years and listed below:

- Management override of controls;
- Valuation of Council Dwellings and Other Land & Building; and
- Net Defined Benefit Liability Valuation.

1.4 The level of the auditor's materiality does change in each financial year as it is typically based on a threshold of 2% of gross expenditure. The anticipation for overall materiality for the year ended 31 March 2025 is to be in the region of £3.069m (£3.107m in the prior year), and a performance materiality to be in the region of £2.148m (£2.331m in the prior year). Further details can be found within Appendix A, section 8 for 'Materiality and misstatements'.

2.0 Implications

None.

Background Papers and Published Documents

None.

Audit Strategy Memorandum

Newark and Sherwood District Council – Year ending 31 March 2025

April 2025

forvis mazars

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

Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

April 2025

Dear Audit and Governance Committee Members,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Newark and Sherwood District Council for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled *'Confirmation of our independence'* summarises our considerations and conclusions on our independence as auditors.

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

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Newark and Sherwood District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 (0)7875 974 291.

This report was prepared solely for the use and benefit of Audit and Governance Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully

Mark Surridge

Forvis Mazars

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Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Newark and Sherwood District Council (the Council) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit and Governance Committee, as those charged with governance, of their responsibilities.

The Director of Resources is responsible for the assessment of Newark and Sherwood District Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

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

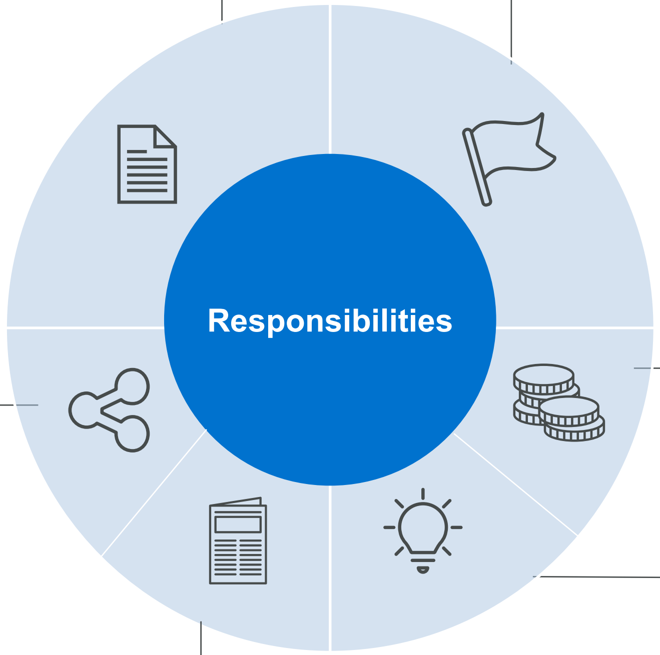
Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newark and Sherwood District Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, internal audit and other key individuals, where relevant on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

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

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

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02

Your audit team

Your audit team

Mark Surridge

Key Audit Partner

Mark.Surridge@Mazars.co.uk

Ellie West

Audit Manager

Ellie.West@Mazars.co.uk

03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach

Understand the group, its business, and the environment in which it operates (including IT environment)

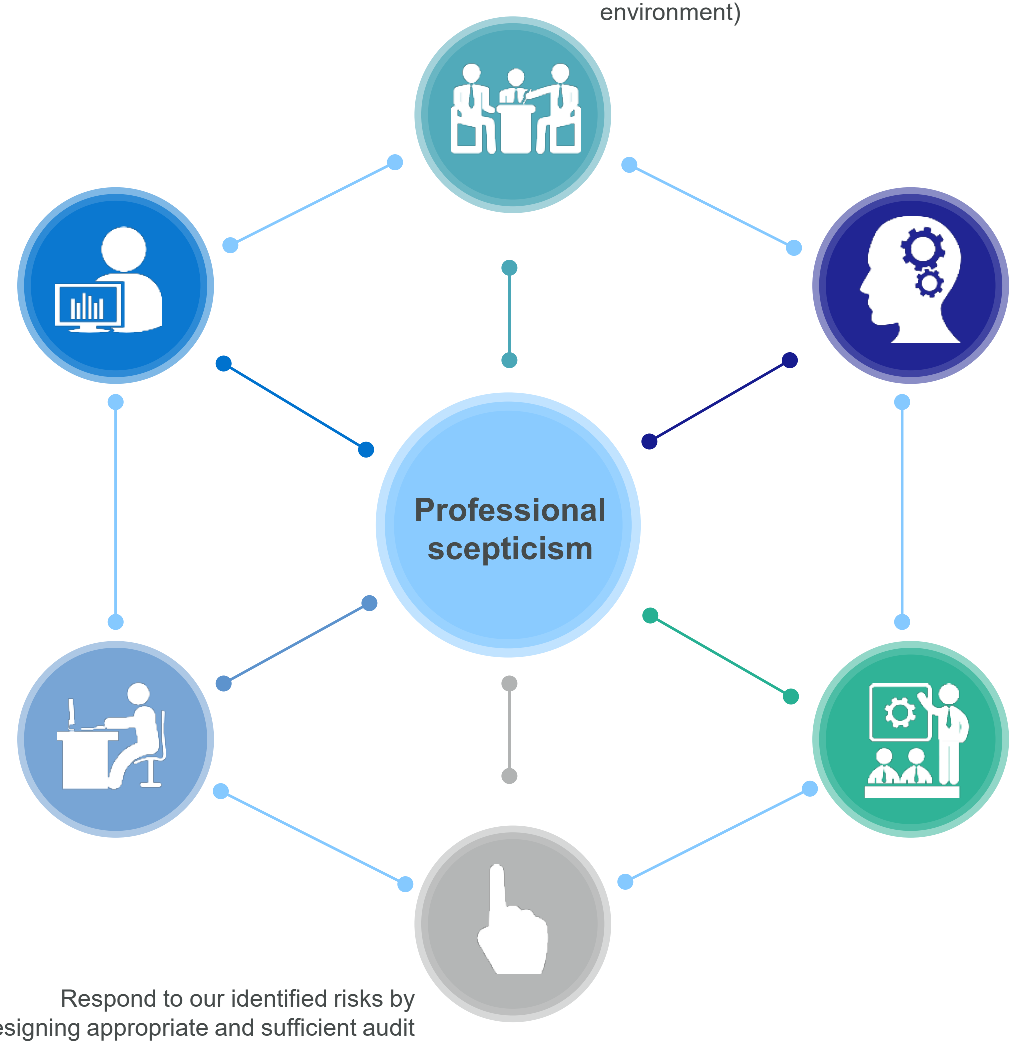
Plan our audit, including determining materiality and identifying key components

Perform our risk assessment to identify risks of material misstatement, including significant risks.

Respond to our identified risks by designing appropriate and sufficient audit procedures

Perform planned procedures and evaluate findings and, where necessary, review the appropriateness and sufficiency of the scope of our audit

Form our audit conclusion based on our findings



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Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

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

Audit approach

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

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

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

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Reliance on internal audit

Where possible, we do not expect to use the work performed by internal audit, but will read reports to determine whether there are additional risk factors not captured from our discussions with management.

Audit scope, approach, and timeline

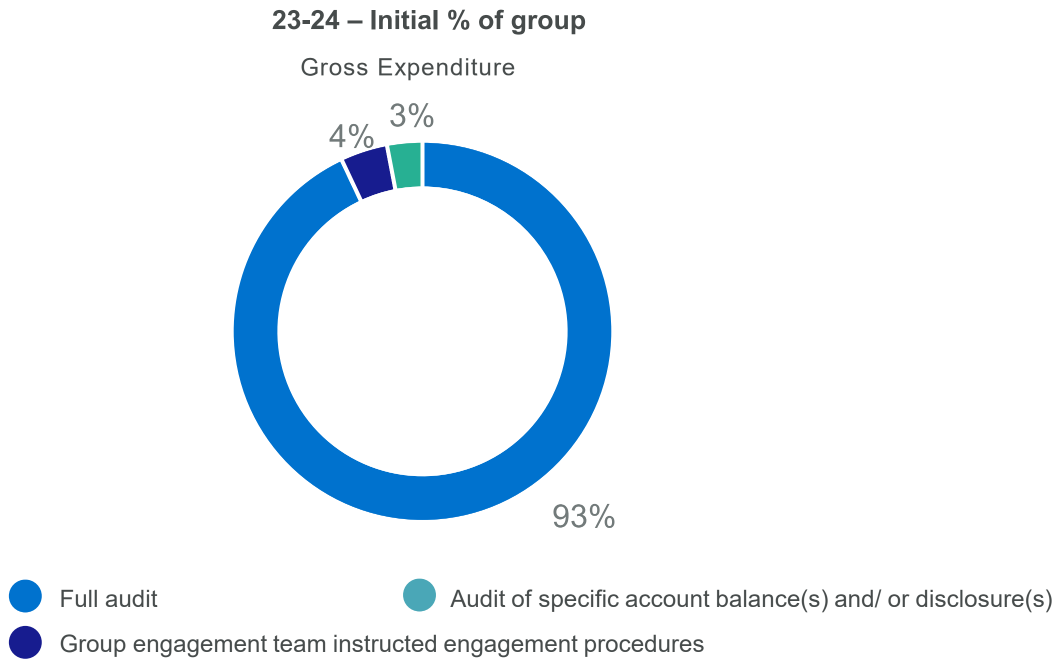
Planning and risk assessment March – April 2025	Fieldwork June – August 2025	Completion September - November 2025
• Planning our visit and developing our understanding of the Council • Documenting systems and control and performing walkthroughs • Risk identification and assessment • Initial opinion and value for money risk assessments • Considering proposed accounting policies and accounting treatments • Developing our audit strategy and planning the audit work to be performed • Agreeing timetable and deadlines • Preliminary analytical review • Determination of materiality • Documenting systems and controls • Performing walkthroughs • IT general controls testing	• Reassessment of our audit strategy (and revising if necessary) • Executing our strategy, starting with significant risks and other higher-risk areas • Detailed work to examine and assess arrangements in relation to any significant risks relating to the value for money conclusion • Receiving and reviewing the draft financial statements • Communicating progress and any issues arising • Clearance meeting(s) • Updating our VFM assessment	• Final review of financial statements, and disclosure checklist • Final partner review • Agreeing the content of the letter of representation • Issuing a draft VFM commentary • Preparing our auditor's report • Reporting to Audit and Governance Committee • Subsequent events procedures • Signing our auditor's report

Group audit approach

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

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Component name	% of Gross Expenditure	Location	Auditor	Scope
Newark & Sherwood District Council	93	Nottinghamshire	Forvis Mazars LLP	Full Scope Audit
RHH Newark Limited	0	Nottinghamshire	N/A	Specific Scope Audit
Arkwood Development Limited	4	Nottinghamshire	Wright Vigar Limited	Not in scope
Active4Today	3	Nottinghamshire	Street Audit LLP	Specific Scope Audit



04

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit and Governance Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group financial statements, we consider that gross expenditure at surplus is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus as the benchmark.

For the single entity financial statements, we consider that gross revenue expenditure at surplus is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus as the benchmark.

We expect to set a materiality of 2% of Gross expenditure at surplus/deficit level for the group financial statements, and a materiality of 2% of Gross expenditure at surplus/deficit level for the single entity.

As set out in the tables alongside, based on currently available information (Prior year audited accounts) we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £3.069m (£3.107m in the prior year), and performance materiality to be in the region of £2.148m (£2.331m in the prior year).

For the single entity financial statements, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £2.899m (£2.90m in the prior year), and performance materiality to be in the region of £2.0m (£2.175m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	3,069	3,107
Performance materiality	2,148	2,331
Clearly trivial	92	93

Council's single entity financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	2,899	2,900
Performance materiality	2,000	2,175
Clearly trivial	86	87
Specific materiality Officer's Remuneration	5	5

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit and Governance Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £86k, based on 3% of overall materiality. If you have any queries about this, please raise these with Mark Surridge.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement Audit and Governance Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to Audit and Governance Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

05

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to Audit and Governance Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	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. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Valuation of council dwelling and other land & buildings 2023-24: £430.5m 2022-23: £439.4m	○	●	●	The Council’s accounts contain material balances and disclosures relating to its holding of property, plant and equipment with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is significant risk in this area.	In relation to the valuation of property, plant and equipment: • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodology used by the Council’s valuer is in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies; • Assess whether valuation movement are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council’s financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuer; and • Select and substantively test a sample of assets to form an opinion on the reasonableness of the valuations.

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Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Valuation of the net defined benefit liability 2023-24: £11.9m 2022-23: £19.8m	●	○	●	The Council's accounts contain material liabilities relating to the local government pension scheme. The council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	In relation to the valuation of the Council's pension liability we will: • Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP; • Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation to complete and accurate; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office (NAO); and • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Significant risks and other key judgement areas

Other key areas of management judgement that we have determined as enhanced risks

	Risk name	Error	Judgement	Risk description	Planned response
1	Income and expenditure is recorded in the correct financial year.	●	○	In our 2023-24 audit we noted a number of errors which related to transactions being recorded in the incorrect period in our testing of fees, charges income and other income and other services which was communicated in our Audit Completion Report.	We will substantively test both of these transaction lines with an enhanced risk meaning our sample size will be larger. We will also review any internal control follow ups the Council have implemented to reduce the risk of transactions being recorded in the incorrect year.
2	Application of IFRS 16 for the 2024-25 financial year.	●	●	IFRS 16 is applicable from 1 April 2024, designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to account for its lease arrangements in line with this new standard for the first time in the 2024/25 accounts. This requires the Council to re-classify their leases and account for a right of use asset. In addition, IFRS16 applies to service concession arrangements. Under IFRS16, the annual Unitary Payment must be separated between an amount for services and an amount for the property. The services element must be recognised in operating expenses to reflect the services received. The liability for the property element must be calculated and subsequently revalued.	We will substantively test lease balances recognised under IFRS 16 and seek evidence to support that they have been correctly classified and accurately measured under the new standard. We will: • obtain an understanding of the approach taken by the Council in valuing the right of use asset; • sample test the valuation of the right of use asset; • agree the valuation to underlying data and review the underlying valuation assumptions. In addition, we will review the work the council has carried out for the implementation of IFRS16 for service concession arrangements and review the IFRS16 model and test inputs to ensure they are consistent with the underlying PFI contracts

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Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance,* we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Newark and Sherwood District Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to Those Charged with Governance which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 Communication with Those Charged with Governance, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

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

06

Value for Money

Value for money

The framework for value for money work

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

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report). Further information will be provided in Appendix A.

Specified reporting criteria

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

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

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Our approach

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

Planning

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will 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 members

Additional risk based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report.

Our commentary will also highlight:

- Significant weaknesses identified and our recommendations for improvement; and
- Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

07

Audit fees and other services

Audit fees and other services

Fees for work as the Council‘s appointed auditor

Our fees (exclusive of VAT) as the Council’s appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£162,977	£181,910
2024-25 Expected fee variations: • Introduction of IFRS 16 Leases • Additional work caused by the introduction of ISA 600 Revised Group Audits	TBC	

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section ‘*Confirmation of our independence*’.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Pooling of Housing Capital Receipts	TBC	£5,600

The Pooling of Housing Capital Receipts is an assurance related service required by the government reporting document, as a result, we are satisfied that the work and level of fee when compared to the audit fee, does not compromise our independence.

08

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Newark and Sherwood District Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Newark and Sherwood District Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Newark and Sherwood District Council, together with our audit fees and independence assessment.

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

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

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

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

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

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

Principal threats to our independence and and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: **Terms of Appointment from 1 July 2021 - PSAA**. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Audit and Governance Committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor's Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor's Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor's Annual Report. In such instances, we will issue an Interim Auditor's Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor's Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with Audit and Governance Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit and Governance Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Council or Audit and Governance Committee in the context of fulfilling your responsibilities.	Audit Completion Report

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to the Council to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit and Governance Committee may be aware of.	Audit Completion Report and Audit and Governance Committee meeting(s)
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management: • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here. The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.	Audit Strategy Memorandum

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Appendix A: Key communication points

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

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

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 *Presentation and Disclosure in Financial Statements* (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

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International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

Contact

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Report to: Audit & Governance Committee Meeting 16 April 2025

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

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

Report Summary	
Report Title	Projected General Fund and Housing Revenue Account Revenue and Capital Outturn Report to 31 March 2025 as at 31 December 2024
Purpose of Report	To update Members with the forecast outturn position for the 2024/25 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 expenditure and income.
Recommendations	That Committee: (a) note the General Fund projected favourable outturn variance of £0.250m; (b) note the Housing Revenue Account projected favourable outturn variance of £0.500m to the Major Repairs Reserve; (c) note the Capital Programme revised budget and financing of £42.166m; and (d) note the Prudential indicators at Appendix A.
Alternative Options Considered	Not applicable.
Reason for Recommendations	To consider the forecast outturn position for the 2024/25 financial year for the Council's General Fund and Housing Revenue Account revenue and capital budgets. Ensure the Council has overall financial sustainability for the current financial year compared to the budgeted position.

1.0 Background

Overview of General Fund Revenue Projected Outturn for 2024/25

1.1 *Table 1* shows a projected favourable variance against the revised budget of £1.023m on Service budgets, with an overall favourable variance of £0.250m that would need to be transferred to the General Fund reserve. This is based on meetings which took place with Business Managers during January, whereby they have analysed actual income and expenditure to 31 December 2024 and forecasted forward to the end of March 2025 the additional income and expenditure currently expected to be incurred.

Table 1: General Fund revenue outturn for 2024/25 financial year as at 31 December 2024

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Net Cost of Services	**19.787**	**21.703**	**20.680**	**(1.023)**
Other Operating Expenditure	4.932	4.875	4.874	(0.001)
Finance & Investment Income/Expenditure	(1.736)	(1.736)	(1.601)	0.135
Taxation & Non-Specific Grant Income	(24.578)	(24.578)	(25.767)	(1.189)
Net Cost of Non-Service	**(21.382)**	**(21.439)**	**(22.494)**	**(1.055)**
Net Cost of Council Expenditure	**(1.595)**	**0.264**	**(1.814)**	**(2.078)**
Transfer to/(from) Usable Reserves	0.794	(1.065)	(0.565)	0.500
Transfer to/(from) Unusable Reserves	0.801	0.801	2.129	1.328
Transfer to/(from) General Reserves	0	0	0.250	0.250

1.2 While the current overall favourable variance of £0.250m is a positive impact for the Councils resources, it is only a forecast, therefore the Outturn Report in June 2025 will finalise the variance and the allocation of that variance into the Councils General Reserves.

Overview of Projected Housing Revenue Account (HRA) Outturn for 2024/25

1.3 With reference to the 'Variance' column in Table 2, the HRA accounts show a projected unfavourable variance on the Net Cost of HRA Services against the revised budget of £0.061m with an increased transfer to the Major Repairs Reserve of £0.500m:

Table 2: HRA revenue outturn for 2024/25 financial year as at 30 September 2024

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Net Cost of HRA Services	**(7.655)**	**(7.470)**	**(7.409)**	**0.061**
Other Operating Expenditure	0.027	0.011	0.011	0
Finance & Investment Income/Expenditure	3.955	3.955	3.394	(0.561)
Taxation & Non-Specific Grant Income	0	0	0	0
(Surplus)/Deficit on HRA Services	**(3.673)**	**(3.504)**	**(4.004)**	**(0.500)**
Movements in Reserves				
Transfer to/(from) Usable Reserves	(0.027)	(0.196)	(0.196)	0
Transfer to/(from) Unusable Reserves	(6.269)	(6.269)	(6.269)	0
Transfer to/(from) Major Repairs Reserve	9.969	9.969	10.469	0.500
Total	**0**	**0**	**0**	**0**

1.4 While the current overall favourable variance of £0.500m is a positive impact for the Councils resources, it is only a forecast, therefore the Outturn Report in June 2025 will finalise the variance and therefore the transfer to or from the Major Repairs Reserve.

Overview of Projected Capital Outturn 2024/25

1.5 The table below summarises the position for the Capital Programme as at 31 December 2024 and is split between General Fund and Housing Revenue Account.

	Original Approved Budget £'m	Current Approved Budget £'m	Revised Budget updated for Approval £'m	Actual Spend to 31 December 2024 £'m	Forecast Outturn £'m
General Fund	25.599	28.442	21.200	10.675	21.241
Housing Revenue Account	25.808	21.025	20.921	12.265	20.921
Total	**51.407**	**49.467**	**42.121**	**22.940**	**42.162**

1.6 As projects are developed and spending commitments are made, budget requirements can change. It is a requirement that Cabinet approve all variations to the Capital Programme. Following the meeting of 3 December 2024, the total approved budget was £49.467m. The additions and amendments that now require approval at Cabinet on 11 March 2025 to reduce the total (General Fund and HRA) revised budget to £42.121m as summarised in the table below.

Scheme	General Fund £'m	HRA £'m
Original Budget	**25.599**	**25.808**
Slippage from 2023/24	10.297	3.291
Quarter 1 approved changes	(1.591)	(0.172)
Quarter 2 approved changes	(5.863)	(7.902)
Current Revised Budget	**28.442**	**21.025**

Reprofiles to future years	(7.825)	(0.349)
Additions/Reductions	0.583	0.249
Total Change	**(7.242)**	**(0.104)**
Revised budget to be approved	**21.200**	**20.921**

Capital Programme Resources

1.7 The revised budget of £42.121m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget:

	General Fund £'m	**Housing Revenue Account £'m**	**Total £'m**
External Grants & Contributions	7.247	1.182	**8.429**
Capital Receipts	1.725	0.360	**2.085**
Community Infrastructure Levy	0.076	0.000	**0.076**
Revenue Contributions	5.903	5.771	**11.674**
Borrowing	6.249	13.608	**19.857**
Total	**21.200**	**20.921**	**42.121**

Prudential Indicators

1.8 The Treasury Management Code of Practice 2021 stipulates that quarterly update reports on prudential indicators are now required from 2023/24 onwards.

1.9 The prudential indicators are set within the Treasury Management Strategy, Capital Strategy and the Investment Strategy and the three strategies were approved by Audit and Governance Committee on 21 February 2024 and Full Council on 7 March 2024. The summary of the prudential indicators can be found at **Appendix A.**

1.10 As can be seen from **Appendix A**, the Council was fully compliant with all of the indicators as set within the Treasury Management Strategy, Capital Strategy and Investment Strategy.

2.0 <u>Implications</u>

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

Background Papers and Published Documents

General Fund, Housing Revenue Account Revenue and Capital Monitoring Outturn Report as at March 2024 to Cabinet on 23 July 2024

Treasury Strategy Indicators - Borrowing	Original Estimate / Limit £'000	Revised Estimate / Limit £'000	Q1 Actual £'000	Q2 Actual £'000	Q3 Actual £'000	Compliance
Operational Boundary for External Debt	174,975	137,556	84,601	84,922	94,824	Yes
Authorised Limit for External Debt	181,975	144,756	84,601	84,922	94,824	Yes
HRA Debt Limit	129,731	129,731	83,935	83,917	90,417	Yes
Maturity Structure of Borrowing						
Under 12 months	15%	15%	8.71%	9.43%	9.00%	Yes
12 months and within 24 months	15%	15%	3.56%	3.53%	4.00%	Yes
24 months and within 5 years	30%	30%	17.82%	17.68%	19.00%	Yes
5 years and within 10 years	100%	100%	9.48%	9.39%	9.00%	Yes
10 years and above	100%	100%	60.43%	59.97%	60.00%	Yes
Treasury Strategy Indicator - Investing						
Credit risk indicator (Minimum Average Portfolio Rating)	A	A	AA	AA	AA	Yes
Liquidity risk indicator						
3 months	100%	100%	58%	52%	43%	Yes
3 – 12 months	80%	80%	17%	19%	20%	Yes
Over 12 months	60%	60%	26%	29%	36%	Yes
Interest rate risk indicator						
Upper limit on one-year revenue impact of a 1% rise in interest rates	£400,000	£400,000	228,800	£170,200	98,600.00	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£400,000	£400,000	228,800	£170,200	98,600.00	Yes
Price risk indicator						
Limit on principal invested beyond year end	£15m	£15m	£12.5m	£12.5m	£12.5m	Yes

Capital Strategy Indicators	Original Estimate / Limit £'000	Revised Estimate / Limit £'000	Q1 Actual £'000	Q2 Actual £'000	Q3 Actual £'000
Capital Expenditure & Financing					
General Fund services	21,599	20,442	3,014	5,012	8,449
Council housing (HRA)	25,808	21,025	3,063	8,459	12,265
Capital Loan (GF)	4,000	8,000	-	-	2,226
Total Capital Expenditure	**51,406**	**49,467**	**6,077**	**13,471**	**22,940**
Capital Grants	5,316	6,586	809	1,794	3,054
Other Contributions incl CIL	1,307	4,572	562	1,245	2,120
Capital Resources	1,667	2,579	317	702	1,196
Revenue / Major Repairs Reserve	14,475	15,267	1,876	4,158	7,080
Borrowing	28,641	20,463	2,514	5,573	9,490
Total Capital Financing	**51,406**	**49,467**	**6,077**	**13,471**	**25,994**
Capital Financing Requirement (CFR)					
General Fund services	35,403	46,624	30,822	31,649	38,766
Council housing (HRA)	103,571	109,095	101,334	103,548	111,638
Capital investments	11,408	-	-	-	2,226
Total CFR	**150,382**	**155,719**	**132,156**	**135,197**	**152,630**
Proportion of financing costs to net revenue stream					
General Fund;					
MRP Charge	764	673	0	0	673
Interest Payable	340	340	48	74	74
Less: Investment Income	0	0	-124	-666	-1,184
Total GF Financing costs	**1,104**	**1,013**	**-76**	**-592**	**-437**
Proportion of net revenue stream	4.49%	4.12%	-1.24%	-4.81%	-2.37%
Housing Revenue Account;					
Interest Payable	0	0	724	1,454	2,084
Depreciation	6,329	6,329	0	0	0
MRR Contributions incl debt repayments	3,581	3,581	1,000	1,018	1,018
Less: Investment Income	-5	-5	0	0	0
Total HRA Financing costs	**9,905**	**9,905**	**1,724**	**2,472**	**3,103**
Proportion of net revenue stream	36.21%	36.21%	25.53%	18.33%	16.73%

Investment Strategy Indicators	2023/24 Original Estimate / Limit £'000	2023/24 Revised Estimate / Limit £'000	2023/24 Q1 Actual £'000	2023/24 Q2 Actual £'000	2023/24 Q3 Actual £'000
Loans for service purposes					
Subsidiaries	13,000	13,000	-	-	2,226
Local businesses	500	500	-	-	-
Local charities	500	500	-	-	-
Other Bodies	500	500	21	25	25
Total	**14,500**	**14,500**	**21**	**25**	**2,251**

Net income from service investments to net revenue stream

Total General Fund Service Investment Income	-	-	124	666	1,184
Proportion of net revenue stream	0.00%	0.00%	2.03%	5.42%	6.42%
Total Housing Revenue Account Service Investment Income	5	5	0	0	0
Proportion of net revenue stream	0.02%	0.02%	0.00%	0.00%	0.00%

Shares held for service purposes

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

Report to: Audit & Governance Committee Meeting 16 April 2025

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 2024/2025
Purpose of Report	*To provide Members with updates made to the Council's accounting policies in relation to the closedown of the 2024/2025 financial year.*
Recommendations	*Members approve the amended Statement of Accounting Policies for 2024/2025.*

1.0 Background

1.1 Prior to the completion of the Statement of Accounts for 2024/2025 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 2025.

1.2 The 2024/2025 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025 (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 2024/2025 Code include:

- *Confirmation in Module 1 Appendix B of the New or Amended Standards introduced in the 2024/25 Code.*
- *Updates are included within Modules 2, 3, 4 and 9 for the mandatory implementation of IFRS 16 Leases. Detailed information in Module 4 follows previous guidance*

produced by CIPFA during transitional arrangements. IFRS 16 is mandatory from 2024/25 and therefore all guidance has been updated to reflect this.

- *Module 3 has been updated to reflect the requirement within the narrative report to include consideration of Section 114.*
- *Legislation changes for Dedicated Schools Grant have been updated in Module 3.*
- *The example financial statements in Section A of Module 3 have been updated to include relevant transactions for group accounts. The notes to the accounts have been updated for IFRS 16 and heritage assets presentation.*
- *Module 6 includes a new flow chart for determining the asset ceiling.*
- *Module 8 has been updated to reflect the latest equal pay legislation in Scotland.*

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 2024/2025 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 2024/25 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 2024/2025 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual statement of accounts by the Accounts and Audit 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 2024/2025 (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.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

Expected Credit Loss Model

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

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

Financial assets measured at fair value through profit or loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy
The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

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

1.11 Heritage Assets

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

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

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Councils general policies on impairment – see note 1.17 in this summary of significant accounting policies. The trustees of the Councils museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Councils general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1.17 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

The Council as Lessee

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

<u>Initial measurement</u>
Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

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

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

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

<u>Subsequent measurement</u>
The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions

- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

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

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

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

The liability is remeasured when:

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

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

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

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

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

The Council as lessor

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

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve (England and Wales).

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

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

1.17 Overheads and Support Services*

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

1.18 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. Expenditure under the value of £15,000 is treated as de-minimis. All capital expenditure will be depreciated in the following financial year of acquisition.

Measurement

Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

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

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 16 April 2025
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 2024/2025 Statement of Accounts.*
Recommendations	*Members note and approve the assumptions used in the calculation of pension figures for 2024/2025.*

1.0 <u>Background</u>

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

	2024/2025	2023/2024
Discount Rate (30years) This allows for the effect of inflation on the liabilities in the scheme.	5.60%	4.90%
Pension Increase Rate (20 years) Public sector pension increases are linked to the Consumer Prices Index (CPI).	3.00%	3.00%

Based on market conditions at 31 January 2025, 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

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Accounting reporting as at

31 March 2025

Employer briefing note pre-accounting date

Barnett Waddingham LLP

4 February 2025

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Introduction and executive summary

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

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

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

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

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

Where can I get further information?

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

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

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How has the balance sheet changed over the year?

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

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

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

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

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

How much will my IAS19/FRS102 report cost?

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

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

Where can I get further information?

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

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

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

Valuation of the employer's assets

Asset performance

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

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

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

How are my assets valued?

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

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

Valuation of the employer's liabilities

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

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

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

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

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

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

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

Financial assumptions

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

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

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Discount rate

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

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

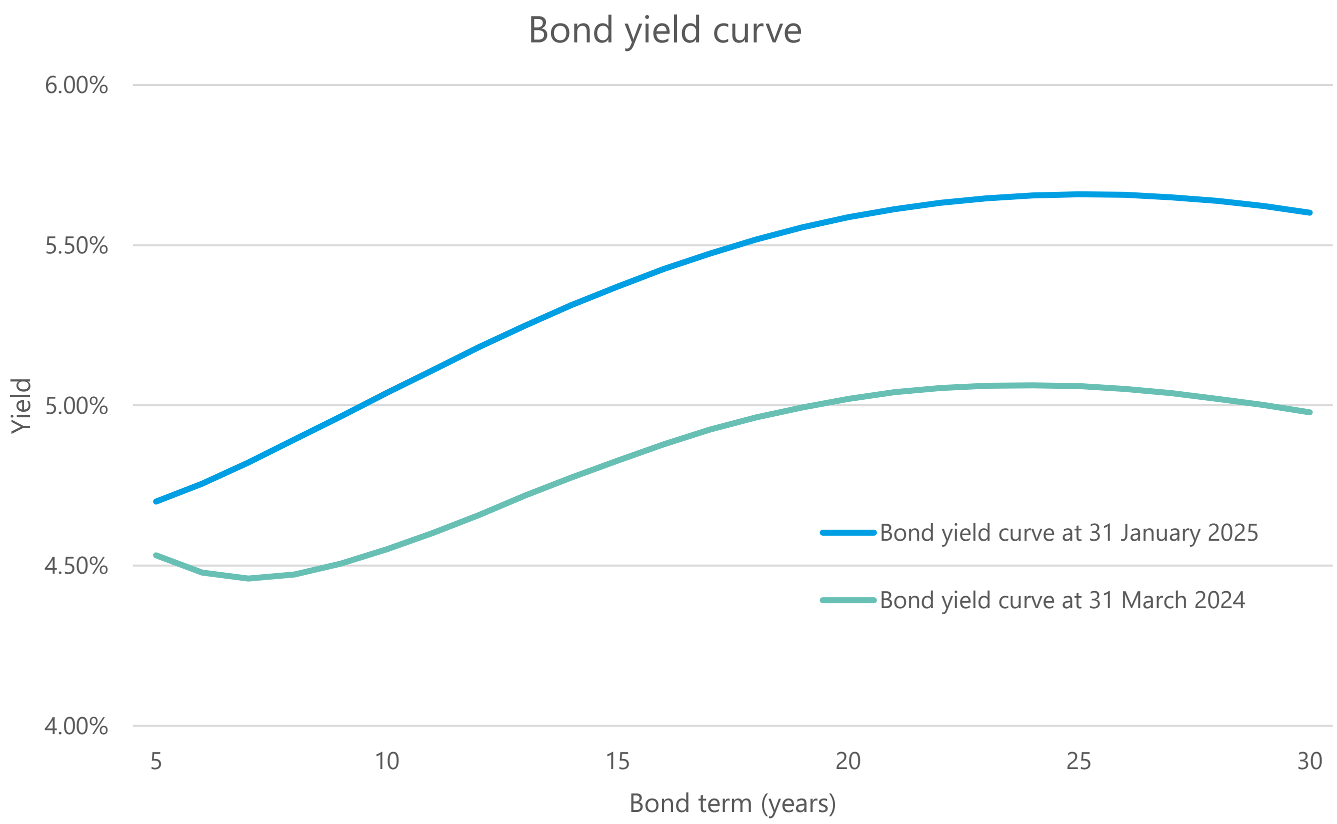
These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample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

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

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

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

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



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

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

Source: Merrill Lynch

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

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

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

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

Assumptions are rounded to the nearest 0.05%.

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

Comparison to previous accounting date

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

Inflation expectations

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

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

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

Retail Prices Index (RPI) assumption

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

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

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

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

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

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

Difference between RPI and CPI

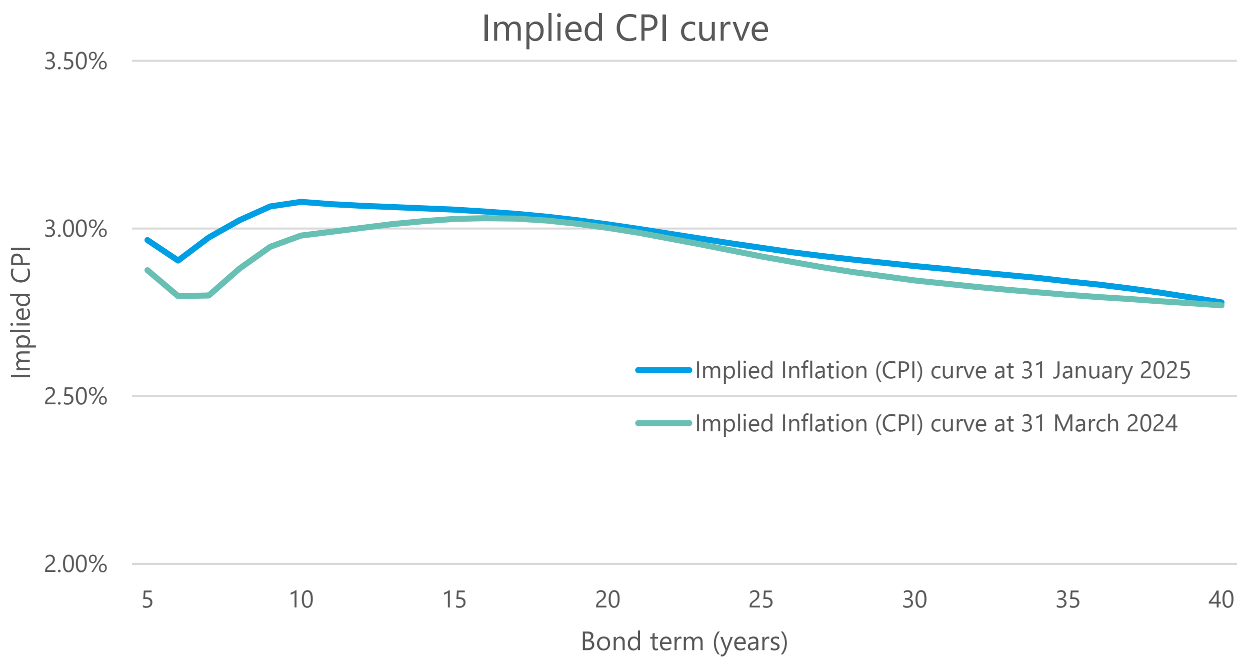
It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with market-implied inflation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

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

Consumer Prices Index (CPI) assumption

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

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



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

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

Source: Barnett Waddingham based on Bank of England data

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

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

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

Assumptions are rounded to the nearest 0.05%.

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

Comparison to previous accounting date

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

Salary increases

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

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

Comparison to previous accounting date

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

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Overall impact of changes to financial assumptions

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

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

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

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

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

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Demographic assumptions

Mortality assumption

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

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

Base table mortality

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

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

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

Future improvements to mortality

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

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

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

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

Other demographic assumptions

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

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

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

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Additional requirements

Experience items allowed for since the previous accounting date

Full valuation update

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

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

Allowance for inflation experience

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

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

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

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

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

Accounting modeller

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

Asset ceilings

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

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

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

Asset ceiling methodology

Our calculations assume that:

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

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

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

FRS102

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

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

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

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

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Valuation of unfunded benefits

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

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

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

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

Pass-through admissions

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

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

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

Other considerations

McCloud/Sargeant judgments

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

Please see FAQs for further details.

Settlements and curtailments

Employers accounting under the IAS19 standard

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

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

Employers accounting under the FRS102 standard

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

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

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

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

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

Please see FAQs for further details.

Goodwin case

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

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

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

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

GMP Indexation Consultation response

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

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

Virgin Media case

Court of Appeal's 25th July 2024 Ruling

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

LGPS considerations

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

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

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

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

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

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

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

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

Appendix 2 – Reconciliation of defined benefit obligation

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

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

Start - Open position, last year's closing position

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

End – Closing defined benefit obligation.

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FRS102/IAS19/IAS26 Glossary and FAQs

Barnett Waddingham LLP
8 April 2024

FRS102/IAS19/IAS26 Glossary and FAQs

The purpose of this note is to provide LGPS funds, fund employers and their advisers with some further explanatory details about the reports we produce in accordance with Financial Reporting Standard 102 (FRS102), International Accounting Standard 19 (IAS19) and International Accounting Standard 26 (IAS26).

It is divided into a Glossary of terms followed by some Frequently asked questions (FAQs). Where certain terms are explained in more detail in the glossary these are highlighted in **bold**.

If you have any questions please get in touch with the relevant LGPS fund in the first instance.

Background

This document complements a briefing note discussing assumptions and an indication of the likely trend in results issued as part of each accounting exercise. In contrast, this document describes the fundamentals of the accounting standards and is only expected to be updated occasionally (e.g. when the standards change).

Sponsors of defined benefit pension schemes are required to account for the cost of providing retirement benefits and reserve for any outstanding liabilities associated with the schemes they sponsor. They are also required to make certain disclosures about these schemes in the notes to their accounts.

FRS102, IAS19 and IAS26 are accounting standards that set out the accounting treatment for retirement benefits. For UK listed companies and local authorities IAS19 applies; for other UK entities FRS102 applies. Companies with overseas parents may need to make disclosures under other standards. IAS26 applies for pension fund accounting.

A key feature of the standards is the requirement for liabilities to be valued using a discount rate assumption set with reference to yields on "high quality" corporate bonds.

It should be noted that the actual contribution rates required by employers for each fund are calculated every three years following a triennial actuarial valuation and these are calculated using assumptions set by the Fund Actuary. The discount rate assumption in particular is generally set with reference to expected future investment returns of the fund unlike the accounting standards which value the liabilities using solely the yields on corporate bonds. Therefore, the contribution rates paid by employers are not affected by the accounting results.

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Glossary of terms

Glossary of terms

Included in this section:

- Actuarial gains & losses
- Administration expenses
- Asset Ceiling
- Change in demographic assumptions
- Change in financial assumptions
- Contributions by employer including unfunded
- Current service cost
- Curtailment
- Defined benefit obligation
- Demographic assumptions
- Discount rate
- Duration
- Interest cost
- Interest on assets
- Net interest on defined liability
- Past service cost
- Present value of defined benefit obligation
- Remeasurements
- Return on assets less interest/ Return on Fund assets in excess of interest
- Service cost
- Settlement
- Special event
- Unfunded benefits

Actuarial gains & losses

The components of the actuarial gain or loss on assets are:

- the difference between the actual investment return on the assets over the year, and the interest on assets, plus
- an experience item, if applicable.

The components of the actuarial gain or loss on liabilities are:

- the effect on the value of liabilities of any change in financial assumptions (e.g. discount rate, assumed future inflation growth) from those used in the previous year, plus
- the effect on the value of liabilities of any change in demographic assumptions (e.g. mortality) from those used in the previous year, plus
- an experience item, if applicable.

For more details on experience items, please see the "Gains and Losses" section of the FAQs.

Administration expenses

Both accounting standards require the administration expenses to be recognised when the administration services are provided and to be reported as a separate item in the Profit and Loss (P&L) statement.

Note that this does not include expenses in relation to investment management as this is incorporated in the **Return on Fund** assets.

Asset ceiling

A restriction placed on the amount of accounting surplus which can be recognised.

The accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling".

Allowing for an asset ceiling will reduce the value of the surplus disclosed at the accounting date. In certain circumstances, under IAS19 and where contributions towards a funding deficit are still required to be paid, the application of an asset ceiling can also affect those employers that have an accounting deficit.

Change in demographic assumptions

This shows the impact on the value of the liabilities of any changes in the demographic assumptions since the previous accounting date. More detail is given in the **Demographic assumptions** section.

The same demographic assumptions may be adopted between triennial funding valuations and so there may not be a change in demographic assumptions item each year.

The demographic assumption which is likely to have the most significant effect on the value of liabilities is the mortality assumption i.e. how long members will live. For example, when changes in mortality assumptions result in a decrease in the life expectancy of members this will result in a decrease in the value of liabilities. This is because the term that members are expected to live in retirement would be shorter so fewer benefits will be paid out.

Change in financial assumptions

This shows the impact on the value of the liabilities of any changes in the financial assumptions since the previous accounting date.

Financial assumptions reflect market conditions at the accounting date and so are likely to change each year.

The financial assumptions which have the most significant impact on the value of liabilities are the **discount rate** and the assumed rate of pension increases.

If the assumed discount rate is higher than at the previous accounting date this will result in a decrease in the value of liabilities and vice versa. Conversely, if the assumed rate of pension increases is higher than at the previous accounting date this will result in an increase in the value of liabilities and vice versa.

Contributions by employer including unfunded

This is the total value of the contributions paid by the employer to the fund including the normal contributions in respect of benefit accrual by active members, contributions towards any deficit and any early retirement strain contributions.

If **unfunded benefits** (usually pensions in payment) are facilitated by the Administering Authority and are to be included in the accounting report, then payments in respect of unfunded benefits are included here as well.

For more information on the inclusion of unfunded benefits, please see the "Do I need to include unfunded benefits on my balance sheet?" section of the FAQs.

Current service cost

The **current service cost** represents the cost to the employer of the benefits earned by active members during the accounting period calculated on an FRS102/IAS19 basis. This is added to the liabilities and is not the same as the employer contributions paid to meet these 'new' benefits. It is calculated using assumptions at the start of the accounting period which means that it is not a fixed percentage of payroll and it is expected to vary from one accounting period to the next as assumptions change.

Under both standards this is a component of the **Service cost** in the P&L.

Curtailment

These will typically be the FRS102/IAS19 equivalent of early retirement costs. The actual strain payments to be paid by the employer to the fund are calculated by the administering authority using a different set of assumptions and so the curtailment cost under FRS102/IAS19 is unlikely to be the same as the strain contributions the employer pays.

In our calculations we calculate the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement only. The employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we only calculate the cost of curtailments which affect the employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately. Under both standards the curtailment cost is a component of the **Service cost** in the P&L.

Defined benefit obligation

This is also referred to as the past service liabilities. This is the value of the benefits accrued by all members to date, based on actuarial assumptions such as future increases to salaries, future mortality rates, future inflation rates etc.

Demographic assumptions

These are the assumptions used to generally provide estimates of the likelihood and timing of benefits and contributions being paid. This consists of all the non-financial assumptions used to value the liabilities including the mortality assumptions, (i.e. how long members are likely to live for), the rates of members retiring and the rate at which members exchange pension for cash at retirement.

Discount rate

Pensions and lump sums will be paid at some point in the future and so a rate known as the **discount rate** is used in order to express these expected future payments as a value at a present date.

It is analogous to a rate of interest; to illustrate this, if we put £100 into a savings account today, it is expected to grow with interest every year to become a higher amount in the future. Similarly, if we are aiming to have £100 at a future date then we only need to deposit a smaller amount now which will accumulate with interest to give £100 later.

A higher discount rate means that the future payments have a smaller value now i.e. a lower pension liability.

The accounting standards prescribe that the discount rate should be based on market yields at the reporting date of a 'high-quality corporate bond' of equivalent currency and term to the scheme liabilities. The discount rate can be derived using a number of different approaches. The current Barnett Waddingham approach is to use the Single Equivalent Discount Rate (SEDR) method.

Duration

When we talk about the duration of the liabilities we mean the average time to payment of benefits. We provide the Macaulay duration in the main accounting disclosure.

Further details of the approach used to estimate the duration please see the "How is the employer duration calculated?" section of the FAQs.

Interest cost

At the end of the accounting period the existing pension benefits are closer to payment than they were at the start of the accounting period, and so the value of the liabilities increases over the period with interest in line with the discount rate. This is the interest cost.

The interest cost forms part of the **net interest on defined liability** (in the P&L).

Interest on assets

The interest on assets item is calculated with reference to the **discount rate**. This forms part of the **net interest on defined liability** (in the P&L).

One of the most common questions we are asked by employers is how their asset amount has been calculated.

Go to the FAQ on how are my assets calculated to find out more.

Liabilities

These are also referred to as the **defined benefit obligation**.

Net interest on defined liability

This is the **interest cost** on liabilities less the **interest on assets**. The net interest on defined liability figure is a component of the P&L.

Past service cost

Additional benefits granted during the accounting year give rise to a **past service cost**, for example, an employer decision to award additional service to a retiring employee.

Under both standards this is a component of the **service cost** in the P&L.

Remeasurements

Remeasurements are recognised in Other Comprehensive Income which is effectively the total of the **actuarial gains and losses** from the changes in the assets and liabilities over the accounting period. This will include the investment return on the assets in excess of interest, change in assumptions (financial and demographic) as well as any experience adjustments.

More detail about this is in the "Gains and Losses" section of the FAQs.

Return on assets less interest/ Return on Fund assets in excess of interest

This item is the investment return on fund assets above (or below) that which was assumed at the previous accounting date (or previous **special event** date if applicable). The investment return is net of investment management expenses and is provided in the 'Assets' section of your report. Under IAS19 and FRS102 the interest/assumed return on assets is the discount rate assumed at the previous accounting date or special event date.

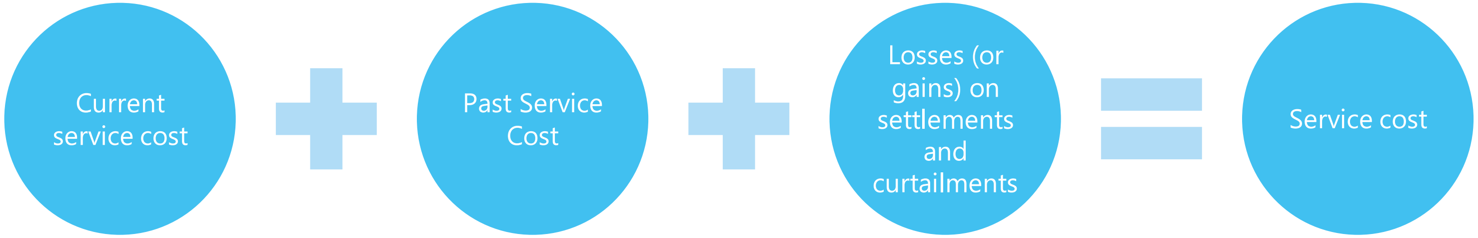
If the return on fund assets is lower than the discount rate this will result in an actuarial loss.

The magnitude of this item will be dependent on how much the actual return on Fund assets differs from the discount rate at the previous accounting date or special event date.

Service cost

The service cost is made of three key components:

- Current service cost; plus
- Past service cost; plus
- Losses (or gains) on settlements and curtailments.



Settlement

A settlement will generally occur where there is a bulk transfer of members in to or out of the Fund or an employer's share of the Fund. The settlement loss or gain reflects the difference between the transferred asset share, and the value of the transferred liabilities when calculated on an FRS102/IAS19 basis. This value may be different when compared to figures calculated for non-accounting purposes due to different assumptions being used. Under both standards this is a component of the **Service cost** in the P&L.

Special event

Under the IAS19 standard, when determining any past service cost or gain or loss on **settlement** or **curtailment**, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. However, IAS19 notes that the extra **remeasurement** at the event date does not need to be applied where the application of that remeasurement is immaterial.

Where a remeasurement approach is required, we refer to this as a special event. Where an event is included but does not require the remeasurement approach, it is not a special event.

Unfunded benefits

Unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years (CAY) pensions. Such benefits are usually charged to the employer as they are paid. Other unfunded benefits include gratuities and enhanced teachers' pensions which are recharged to the employer, and pensions in respect of some other public sector pension schemes. This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the employer has responsibility for funding by paying contributions to the Fund.

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Frequently Asked Questions (FAQs)

Frequently asked questions (FAQs)

Included in this section:

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.

Balance sheet

How are my assets calculated?

Notional assets

Assets are not separately held for each employer; each fund holds assets in respect of all the employers in the fund and each employer has a notional share of these assets. For example, the contributions an employer makes into the fund are not paid into a separate employer account and invested independently, but are paid into the whole fund along with all other employers' contributions and invested as a whole. However, they are taken into account when calculating a notional asset figure for actuarial valuations and employer work.

Asset calculation – actuarial valuations

Assets are fully re-apportioned at each triennial funding valuation. To do this for an employer, we accumulate the employer's notional market value of assets from the previous funding valuation, allowing for the Fund's actual returns and cashflows in respect of the employer which include employer and employee contributions, pensions and retirement lump sums paid, and transfers in and out etc. In general, cashflows are assumed to occur halfway through the year. We also allow for any notional asset transfers which may occur between employers when members transfer between employers in the Fund.

We also adjust the assets by a smoothing factor to be consistent with our measurement of the liabilities. We essentially look at the asset value over each day for the six month period around the valuation date (based on published market indices) and take the average.

Asset calculation – accounting valuations

In order to calculate asset values for accounting valuations, the starting point is the most recent funding valuation and the process is then similar to the above but may involve approximations. For example, if the fund's actual returns have not yet been calculated for any period, we will calculate the notional return based on suitable market indices.

The assets will change from year to year: increasing with contributions paid into the fund and decreasing as benefits (such as lump sums and pensions) are paid out of the fund. Investment returns will have an additional positive or negative effect.

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

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

Auditor views

Auditors continue to look for greater accuracy in the roll forward approach used to calculate employers' results. This includes the approach used to determine each employer's share of fund assets at the accounting date.

Given the tight timescales for employers to submit their final accounts we appreciate that it is not always possible to wait until a fund's net asset statement at the accounting date is available to begin producing accounting disclosures. As a result, we may use details of funds' assets at the most recent date available and, for the remaining period, we assume that returns are in line with relevant market indices.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors and the administering authority of the fund as early as possible to ensure they are comfortable with the information being used to calculate results.

What is the Defined Benefit Obligation and how is this calculated?

The Defined Benefit Obligation is the accounting label for what is usually known as the value of the pension liabilities of the employer. The pension liabilities for an employer are the promised benefit payments (e.g. pensions, lump sums) due in the future from the fund to its members. The Defined Benefit Obligation is the value of these liabilities calculated using a set of assumptions on an FRS102/IAS19 basis, which includes how these payments will increase over time, how long they will be paid out for (i.e. how long each member is likely to live for) and the **discount rate** to apply to them to give a current value.

The Defined Benefit Obligation depends on the amount of the benefits so will increase as benefits are accrued and reduce as benefits are paid out. The value will also increase or decrease as the assumptions used to calculate their value change.

Do I need to include unfunded benefits on my balance sheet?

The payment of **unfunded benefits** may be facilitated by the Administering Authority and recharged to the employer.

FRS102 and IAS19 both state that all retirement benefits should be accounted for when the member earns the benefit and not when it is paid by an employer. Therefore when a member retired and was awarded unfunded benefits the value of all future payments should have been taken into account at the point of retirement. This value would generally be expected to reduce over time as the benefits are paid out.

If you have unfunded benefits which are to be included in the accounting figures that we prepare, then you should make us aware of these.

Why have my numbers changed since the last accounting date?

The figures in the accounting disclosures are expected to change from one accounting period to the next. Some figures may be expected to be broadly consistent, however, many figures are unrelated year on year. Guidance on differences that can be expected are set out in the tables below. These tables replicate the reconciliation tables that are disclosed in our reports.

Liability reconciliation items	Factors causing difference in value compared to equivalent item at previous accounting date
Opening defined benefit obligation	
Current service cost	• 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 benefits paid
Closing defined benefit obligation	

Asset reconciliation items	Factors causing difference in value compared to equivalent item at previous accounting date
Opening fair value of Fund assets	
Interest on assets	• 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	

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How is an asset ceiling calculated and should I allow for it?

The accounting standards require that the amount of surplus that can be recognised should reflect the extent to which the employer is able to recover that surplus either through reduced contributions in the future, or through refunds.

Barnett Waddingham's view is that, in general, employers in the LGPS do not have an unconditional right to a refund of surplus as such a payment would be at the discretion of the relevant LGPS fund. Therefore, our default approach is to allow for an **asset ceiling** and to restrict any surplus to the economic benefit that may be obtained from potential future reductions in contributions. In line with our interpretation of IFRIC 14 "*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*", we will calculate this by considering the assumed future cost of benefits payable over the expected life of the employer in the fund, less the value of contributions expected to be paid towards those future benefits.

Some employers may be expected to participate in the fund indefinitely, in which case we will carry out our calculations assuming that these costs and contributions apply in perpetuity. Other employers may be expected to participate for a finite period, in which case we will consider a shorter period, such as the relevant contract length or the average time until the last active member leaves service thereby triggering a cessation event.

For employers accounting under IAS19, additional liabilities may be recognised if the employer is required to pay contributions towards a funding deficit, as such contributions may contribute an additional surplus which cannot in fact be recovered. We will consider such contributions payable over the period of the existing deficit recovery plan. Under certain circumstances, this can also affect employers who have an accounting deficit, if payment of deficit contributions is expected to lead to an irrecoverable surplus arising.

We consider the above treatment to be in line with guidance issued by The Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2023. Whilst this guidance was prepared specifically for local authorities, we believe it is reasonable to have regard to the general principles contained within it.

This is a highly complex topic and different interpretations of the accounting standards, including their accompanying guidance, are available. The decision as to whether to allow for an asset ceiling, and the method used to calculate it, is ultimately the responsibility of the employer and so it may be advisable to speak to your auditor if further clarification of the required approach is needed.

Assumptions

What is the difference between assumptions for a funding valuation and an accounting valuation?

The purpose of a funding valuation is to set the contributions payable by employers, and these are typically based on a set of ongoing assumptions. An accounting valuation on the other hand is prepared to meet statutory disclosure requirements and is included in the employer's annual accounts. Therefore, the purposes are different. The results from the two valuation types can be significantly different due to the different assumptions used.

The assumptions adopted for a funding valuation are set by the Fund Actuary following discussion with the administering authority. Broadly, they are set with reference to the long-term expected cost of providing LGPS benefits and take into account the investment strategy of the fund and the expected return on each asset class that the fund invests in. In contrast, FRS102 and IAS19 are fairly prescriptive accounting standards which aim to allow employers' pension obligations to be compared with each other.

Generally, the demographic assumptions used for both valuations are the same and determined every three years as part of the triennial funding valuation. However, updates may be made between funding valuations to reflect the latest industry views on future mortality rates.

The main area where funding valuations for our funds and accounting valuations differ is in the derivation of the **discount rate**. For funding valuations, the discount rate adopted is based on the expected investment return of the assets actually held by the fund. For FRS102/IAS19, the discount rate is required to be determined with reference to the market yield on 'high quality' corporate bonds and with consideration of the **duration** of the employer's liabilities.

Generally, corporate bond yields will be different from the return assumed for a funding valuation as the fund is likely to invest in a mixture of assets including equities and property. Therefore we would expect that employers' costs and liabilities under FRS102/IAS19 will be different from those calculated in a funding valuation as the discount rate used is different.

It is important to note that the accounting position has no bearing on the contributions that the employers actually pay into the fund. Contribution rates are set every three years as part of the triennial valuation.

Why is the inflation assumption different to current inflation levels?

The current level of inflation that is widely reported each month is a measure of how prices have increased in the recent past, usually over the last year. However, in order to project cashflows to and from the fund over the future lifetime of the fund, we are interested in what inflation will do in the future and therefore we have to make an assumption about expected future levels of inflation over the long term. We do this by using information published by the Bank of England.

How much scope is there for 'tweaking' the assumptions?

One of the objectives of FRS102 and IAS19 is to ensure that organisations all account for pension costs on a consistent market-related basis so there is not intended to be a huge amount of scope to deviate away from typical market assumptions. We do provide a recommended set of assumptions but the employer is ultimately responsible for the assumptions that are adopted.

One key area in which the employer can exercise more control is the assumption about future levels of pay increases as they will have more knowledge of likely future pay awards for their staff.

If you would like more information on the options available to employers regarding bespoke assumptions please get in touch with your LGPS fund.

Pension costs

How are settlements/curtailments/past service costs treated under IAS19?

The IAS19 standard requires that when determining any past service cost or gain or loss on settlement that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. This applies for all accounting periods starting on or after 1 January 2019.

Common events for LGPS employers that this amendment may apply to include outsourcings, academy conversions and unreduced early retirements.

The **remeasurement** requirement complicates the accounting disclosure as additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not. If relevant, the employer should also consider any guidance in relation to this set out by The Chartered Institute of Public Finance & Accountancy (CIPFA) in its most recent *Code of Practice on Local Authority Accounting in the United Kingdom*.

Why is the current service cost different from the contributions paid?

Contributions are required from the employer to meet the cost of the benefits being earned by current employees, and to pay off any past service deficit. Minimum contributions are certified when a new employer joins the Fund and then again at each triennial funding valuation. These certified contributions are calculated using assumptions made at each funding valuation and reflect, amongst other things, the return assumed to be earned by the assets actually held by the Fund.

The **current service cost** in FRS102/IAS19 only includes the employer cost of benefits being earned by current employees and does not include the cost of paying off any past service deficit. The assumptions used for FRS102/IAS19 are usually different to those used for the funding valuation. In particular, the **discount rate** is prescribed by FRS102/IAS19 and is unlikely to reflect the Fund's actual asset allocation. This means the current service cost calculated for FRS102/IAS19 is likely to be different from the cost covered by the certified minimum contributions.

Why is the current service cost different from the previous year?

The current service cost is the cost of benefits accrued over the period based on the assumptions at the start of the period i.e. the assumptions at the previous accounting date or the most recent **special event** date.

Therefore this will be affected by:

- the difference in the assumptions adopted at the previous accounting date (and any **special event** dates) compared to the assumptions adopted for calculating the previous accounting date's current service cost; and
- the change in payroll over the accounting period compared to that over the previous accounting period.

What if the reported contributions paid are different to the actual contributions paid?

The discrepancy may be because full cashflows for the accounting period were not available for the report, and therefore they were estimated based on part-year cashflows. We can revise the disclosure to take account of the actual contributions paid but we recommend that you agree with your auditor that this is necessary on the grounds of materiality.

Gains and losses

What is an experience gain or loss?

Accounting reports are prepared each year using a number of estimates and approximations in the roll-forward process on both the assets and the liabilities. This experience adjustment is essentially a correction of the estimates made in previous accounting reports.

Employers are likely to see an experience item in an accounting report prepared following a full membership valuation, such as a triennial funding valuation, to allow for actual experience such as pension increases, member movements and mortality.

What does actual less expected return on Fund assets mean?

The "expected" return on the Fund assets for a year is simply based on the **discount rate** assumption at the start of the period (or the last special event date). If actual Fund returns, net of investment management expenses, have been higher than the discount rate assumption this figure will be positive but if they were lower this will be negative.

Why is there an experience gain or loss on the assets?

To determine the employer asset share for an accounting report we may need to estimate various pieces of financial information, including cashflow information such as contributions received, benefits paid and fund returns. However, at a triennial funding valuation we get full cashflow data for each year and actual audited Fund returns. We then determine each employer's asset share accurately at the triennial valuation date and the experience item emerges as the difference between the three years' worth of estimated rolled-forward assets and the accurate figure. There may also be differences between the accounting and funding valuation asset figures due to allowance for any transfers or outsourcings that may not have been resolved in time to be included in the relevant accounting years, or due to a rebalancing of employer assets within a funding pool.

Why is there an experience gain or loss on the liabilities?

To determine the value of the employer liabilities for an accounting report we roll forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes.

After each triennial valuation we recalculate the accounting liabilities using up to date membership data and results. An experience item emerges which reflects the difference between the actual experience of the members of the Fund and what was assumed for them in the previous accounting reports. For example, if members died earlier than assumed this will result in an **actuarial gain** as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an **actuarial loss** as the liabilities will be higher than estimated.

Experience gains or losses may also arise each year due to other experience updates. For example, employers may choose to allow for inflation experience each year. This would result in an experience gain or loss depending on how pension increase experience compared with what was assumed at previous accounting dates.

What is the change in assumptions?

This is a combination of the impact on the value of the liabilities due to any changes in the financial and demographic assumptions since the previous accounting date.

See the change in demographic assumptions and change in financial assumptions sections above for more detail.

Regulatory

What is the 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.

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.

BARNETT WADDINGHAM
beyond the expected

Does the outcome of the Goodwin case have any impact on LGPS liabilities?

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS.

We do not yet have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in most cases, funds will not have this information or data to hand. It is our understanding that the Government Actuary's Department (GAD) is undertaking a review to assess the potential impact on public sector pension schemes, which we expect will be minimal for LGPS funds.

At the time of producing this document, we do not yet have the results of GAD's review. However, it is our expectation that the impact on the value of LGPS liabilities as a whole, and for the majority of employers participating in the LGPS, will not be material. It is possible that the impact on individual employers will vary depending on their specific membership profile; although any cases resulting in a significant impact are likely to be few and far between.

Miscellaneous

Is the projected unit method being used?

Yes

How are investment expenses allowed for?

Investment expenses are included in the estimated Return on Fund assets. Therefore, the 'Return on assets less interest' element of the asset reconciliation includes allowance for investment expenses.

Investment expenses are not included in 'Administration expenses' and are therefore not contained within in the Profit and Loss statement, however, as they are included in the 'Return on assets less interest', investment expenses are included in the Remeasurements in other comprehensive income.

What checks are carried out on the data underlying the liability calculations?

One of the key items of data underlying our calculations is the member data used for the starting point of the liability roll forward. The member data is generally that from the most recent funding valuation and therefore has been passed through a rigorous data checking process as part of the valuation. As the member data has been sufficiently cleansed for the purpose of the funding valuation, we believe it is also reasonable for the purpose of the accounting roll forward. The key checks carried out on the data include:

- Consistency of static member data items (such as sex and date of birth) to previous valuation
- Consistency of changeable member data items to previous valuation. For example:
  - Reasonable change in salary for active members
  - Reasonable level of accrual for active members
  - Deferred and pensioner member pensions have increased as expected based on LGPS pension increases
- Reconciliation of employer membership to ensure that all previous members are accounted for (or no longer in the data as expected) and new members look reasonable.

How is the employer's duration calculated?

The employer's duration is estimated using the Macaulay duration and this is calculated using membership data from the latest triennial valuation.

The employer duration is recalculated at the accounting date to reflect the financial assumptions at the accounting date, using the data from the latest triennial valuation.

What commutation factor is used in the calculations?

A commutation factor of 12 is adopted for our calculations in line with the benefit structure set out in the LGPS Regulations.

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 16 April 2025
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 2024/25 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 2024/2025.*

1.0 Background

1.1 IAS 16 – Property, Plant and Equipment is one of the financial reporting standards with which the Council must comply with when producing its annual Statement of Accounts.

1.2 IAS 16 outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost and is then subsequently measured using a revaluation model. Under the revaluation model, the assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS).

1.3 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 2024/25 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 2024/25 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

2024/25 FINANCIAL PERIOD

Issued On: 01/04/2025

Valuation Date: 31/03/2025

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

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

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to the valuation of the properties identified by the Authority under the revaluation programme for the 2024/25 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 2025, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

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

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

All prices or values are stated in pounds sterling.

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

These excel documents are appendices to the report.

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

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

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

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

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

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

The valuations have been reviewed by:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer, Partner

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

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

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

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

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

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

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

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

- 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 2025

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') – 2024/25.
- 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: UK National Supplement 2023 edition (issued October 2023 and effective from 1 May 2024)

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

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

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

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

- **For operational property, plant, and equipment:**
  - Existing Use Value (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.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Investment Property is to be valued at Fair Value.

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

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

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

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

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

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 asset 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,

- The Israel and Palestine Conflict.
    - This brings instability to the middle eastern region and seizures of civilian operated cargo ships have brought in international military protection. This is an ongoing situation which has been heightened potential with wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the conflict, we will continue to monitor as the crisis continues.

- The UK General Election.
    - There was a general election in the UK on the 4 July 2024 which resulted in a new government with new policy approaches. It is recognized that historically investor transactional activity is generally lower than normal in the three months prior to such an election date, and then recovered in the following six-month period. It should be noted that this change does bring uncertainty to market expectations and therefore will require monitoring.

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.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

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 2025.

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.

WILKS HEAD & EVE

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

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WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

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Newark & Sherwood District Council
Asset Valuation 31st March 2025

WHE Ref Number	WHE Check	Asset Reference	Address	Description	IFRS Categorisation	Valuation Method
8844/24001	8844/24001	B00012B&L	Newark Sports & Fitness	Leisure Centre	Property Plant & Equipment	DRC
8844/24002	8844/24002	B00013B,E&L	Dukeries Leisure Centre	Leisure Centre	Property Plant & Equipment	DRC
8844/24003	8844/24003	B00011B&L	Blidworth Community Leisure Centre	Leisure Centre	Property Plant & Equipment	DRC
8844/24006	8844/24006	B00406B	Castle House Council Offices	Council Offices	Property Plant & Equipment	DRC
8844/24007	8844/24007	B01103B&L	Palace Theatre Appleton	Theatre	Property Plant & Equipment	DRC
8844/24008	8844/24008	B00152B&L	National Civil War Centre	Museum	Property Plant & Equipment	DRC
8844/24015	8844/24015	B00010B/L	Sconce & Devon Park	Pavillion & Football Pitches	Property Plant & Equipment	DRC
8844/24004	8844/24004	B00204B&L	Brunel Drive Depot	Depot	Property Plant & Equipment	EUV
8844/24005	8844/24005	B00205B&L	Farrar Close Depot (NSH	Depot	Property Plant & Equipment	EUV
8844/24009	8844/24009	B01104B&L	Newark Beacon	Business Centres	Property Plant & Equipment	EUV
8844/24011	8844/24011	C10316	Sconce Hills Playing Field	Playing Field	Property Plant & Equipment	EUV
8844/24012	8844/24012	C10297	Sconce Hills Amenity Open Space	Land	Property Plant & Equipment	EUV
8844/24013	8844/24013	B00953B/L	Sconce & Devon Park Visitors Cen	Visitors Centre	Property Plant & Equipment	EUV
8844/24014	8844/24014	C00295	Sconce Hills Car Park	Car Park	Property Plant & Equipment	EUV
8844/24016	8844/24016	B00462L	New Ollerton (ex Toilets)	Land	Property Plant & Equipment	EUV
8844/24018	8844/24018	B00325	Car Park, Bowbridge Road	Car Park	Property Plant & Equipment	EUV
8844/24019	8844/24019	new	20F Lombard Street, Newark	Other	Property Plant & Equipment	EUV
		new	134 Walesby Lane, Ollerton	Other	Property Plant & Equipment	EUV
		new	Land Adjoining Briar House, Church Circle, New Ollerton	Other	Property Plant & Equipment	EUV
		new	Ollerton Bank, Forest Road, Ollerton, NG22 9PL	Other	Property Plant & Equipment	DRC

Valuation Report

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

NEWARK & SHERWOOD DISTRICT COUNCIL

2024/25 FINANCIAL PERIOD

Issued On: 01/04/2025

Valuation Date: 31/03/2025

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

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

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to Housing Revenue Account (HRA) portfolio valuations carried out for the Authority for accounting purposes for the 2024/25 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

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 2025, 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
- xxxx

Beacon Sample - EUV-SH
- £xxx
- xxxx

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.

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

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

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

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

The valuations have been reviewed by:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer, Partner

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

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

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

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

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

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

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

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

- 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 2025

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

Further to the instructions from the Authority we have inspected XX 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.

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') – 2024/25.
- 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: UK National Supplement 2023 edition (issued October 2023 and effective from 1 May 2024)
- Department for Communities and Local Government (DCLG) - Stock Valuation for Resource Accounting – Guidance for Valuers – 2016. This sets out the terms of reference and basis of valuation for valuations of this type.

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

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

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

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 asset 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,

- The Israel and Palestine Conflict.
  - This brings instability to the middle eastern region and seizures of civilian operated cargo ships have brought in international military protection. This is an ongoing situation which has been heightened potential with wider implications across the UK and Europe although we are not aware of any specific impact on the value of the asset because of the conflict, we will continue to monitor as the crisis continues.

- The UK General Election.
  - There was a general election in the UK on the 4 July 2024 which resulted in a new government with new policy approaches. It is recognized that historically investor transactional activity is generally lower than normal in the three months prior to such an election date, and then recovered in the following six-month period. It should be noted that this change does bring uncertainty to market expectations and therefore will require monitoring.

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.

SECTION THREE – PROCESS AND METHODOLOGY

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.

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 2025.

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.

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WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

NEWARK & SHERWOOD
DISTRICT COUNCIL

Report to: Audit & Governance Committee Meeting 16.04.25

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 2025/26 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 new 2025/26 risk register and performance of the previous Council's strategic risks.

1.0 <u>Background</u>

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 The previous 2024/25 strategic risk register was reviewed by Members in November 2024.

2.0 Strategic Risk Review – New register 2025/26

2.1 In accordance with the Risk Management Policy, a facilitated strategic risk workshop was undertaken with the Senior Leadership Team (SLT) in February 2025. This workshop evaluated all existing strategic risks and identified emerging risks for the forth coming year.

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

2.2 During the workshop SLT agreed that:
a) All 9 existing strategic risks should be retained.
b) The growth risk should be re focused to concentrate on housing growth delivery targets.
c) Local government reorganisation (LGR) implications should be considered for all strategic risks and included within subsequent reviews. LGR risks would be reconsidered once plans had been formalised later in the year, at which point it would be considered if a further risk is necessary.

2.5 The table below lists the 2025/26 strategic risk register, as agreed by SLT.

2025/26 Strategic Register- Effective from 1st April 25		
Risk Code and Title		**Risk Owner**
SR501	Financial Sustainability- General Fund	Sanjiv Kohli
SR502	Financial Sustainability- HRA	Sanjiv Kohli & Suzanne Shead
SR503	Failure to deliver growth infrastructure	Matt Lamb
SR504	Contract/Supply Failure	Deborah Johnson & Suzanne Shead
SR505	Workforce	Deborah Johnson
SR506	Corporate Governance	Sue Bearman
SR507	Data Management Security	Sanjiv Kohli
SR508	Environment	Matthew Finch
SR509	Statutory Compliance Management	Sanjiv Kohli & Suzanne Shead

3.0 Strategic Risk Register Performance

3.1 During the previous 12 months 4 strategic risks have experienced a change to their current risk score. Details of these changes are listed below:

- **SR403 Failure to deliver growth infrastructure:** Impact score has decreased from 4 (critical) to 3 (severe). Decrease is due to the development of the Southern Link Road & A46.
- **SR404 Contract/supply failure:** Likelihood has decreased from 4 (certain) to 3 (very likely). Decrease due to changes in the marketplace.

- **SR405 Workforce:** Likelihood has decreased from 3 (very likely) to 2 (likely). Decrease was due to statistics demonstrating that staff turnover was down to 10%, sickness absence is below target, there is an increase in internal promotions, reduction in failed probations and a reduction in failed recruitment activity. The staff survey also showed 90% of staff who responded agreed the council are a good employer.
- **SR406 Corporate Governance:** Impact has decreased from 3 (severe) to 2 (moderate), however, likelihood increased from 2 (likely) to 3 (very likely). These changes were made as procedures are deemed sound, however, there were issues identified within the recent LGA Peer Review.

3.2 Strategic risks SR403, SR407 and SR409 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.

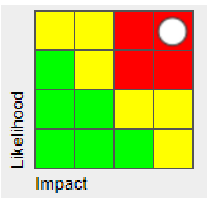
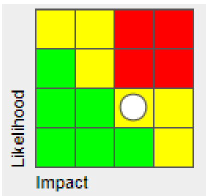
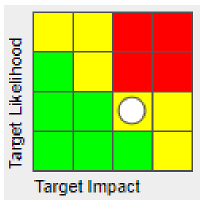
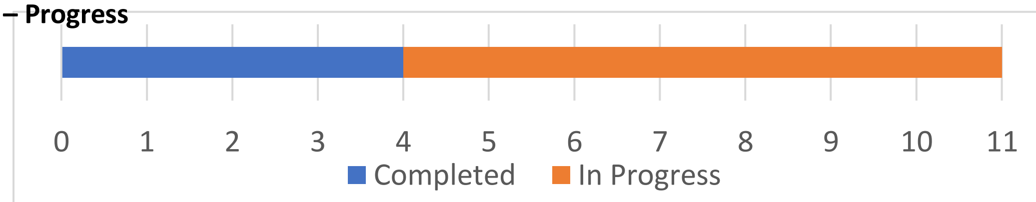
3.3 All strategic risks have identified actions. The purpose of these actions is to mitigate the risk to a tolerable level. Actions and due dates are determined by the risk owner and their progress is monitored at quarterly reviews.

3.4 A total of 170 actions were assigned to the current 9 strategic risks. 73 of those actions have been completed. All remaining 101 live actions are within their assigned target due date.

3.5 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.

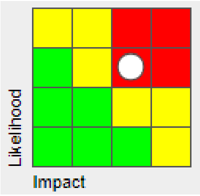
3.6 The tables below illustrate the current status of each individual strategic and their associated risk score and actions.

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.

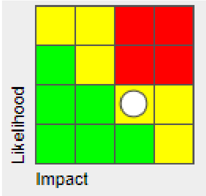
SR401- Financial Sustainability- General Fund			
Uncontrolled Risk 	**Current Risk Score** 	**Target Risk Score** 	▪ Risk score has remained static. ▪ At SLT target score.
Actions – Progress 			

SR402 - Financial Sustainability- HRA

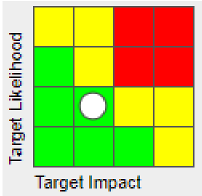
Uncontrolled Risk



Current Risk Score

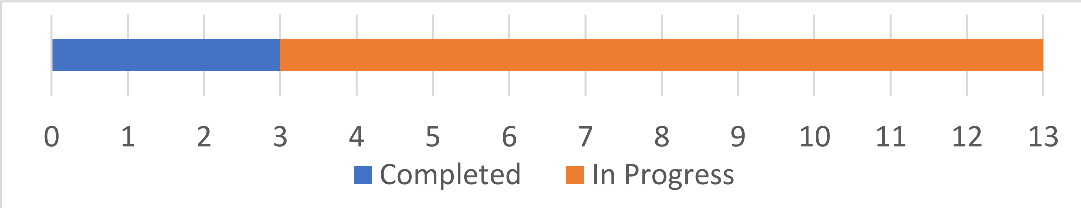


Target Risk Score



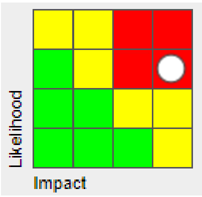
- Risk score has remained static.
- Not yet at SLT target score.

Actions – Progress

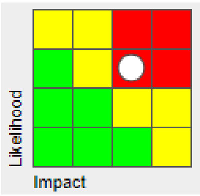


SR403- Failure to Deliver Growth Infrastructure

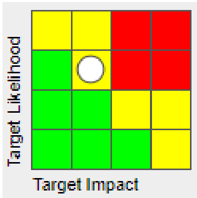
Uncontrolled Risk



Current Risk Score

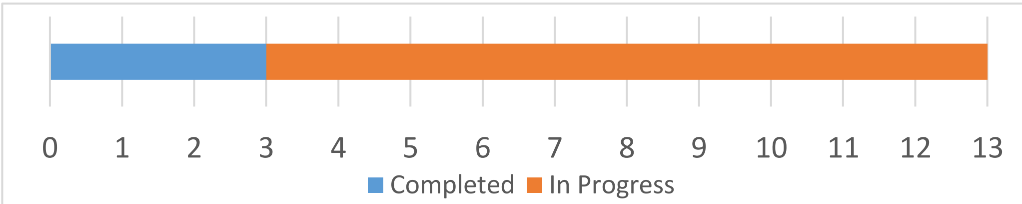


Target Risk Score



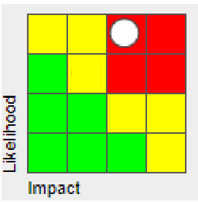
- Risk impact score decreased July 2024.
- Not yet at SLT target score.

Actions – Progress

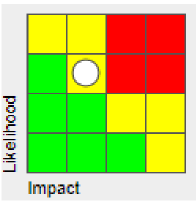


SR404 - Contract/Supply Failure

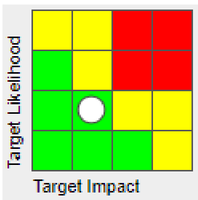
Uncontrolled Risk



Current Risk Score

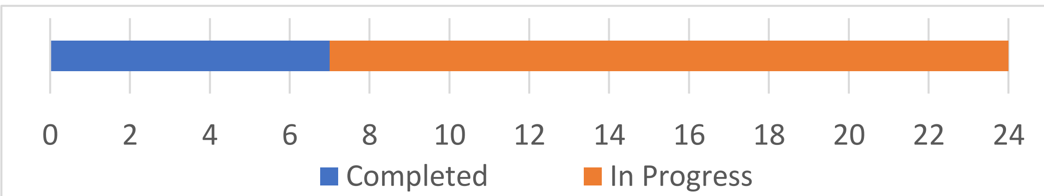


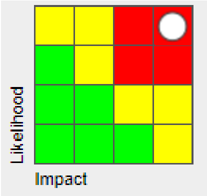
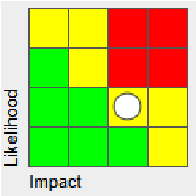
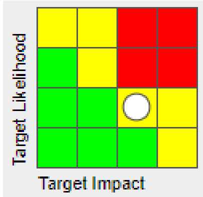
Target Risk Score



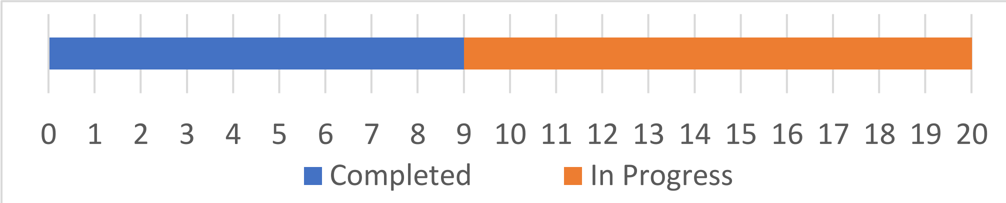
- Risk likelihood score decreased May 2024.
- Not yet at SLT target score.

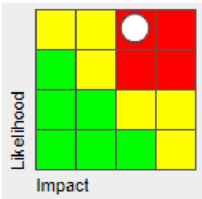
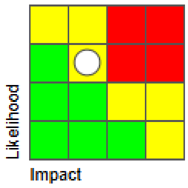
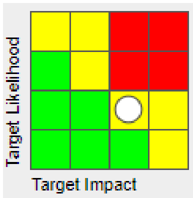
Actions – Progress



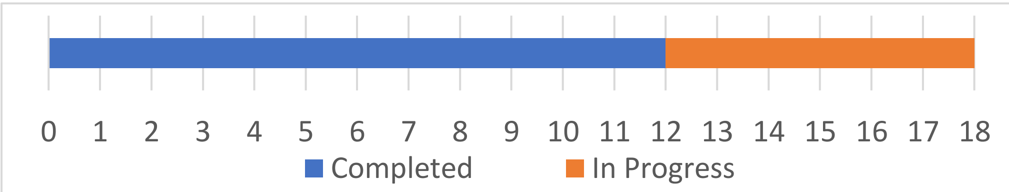
SR405 - Workforce			
Uncontrolled Risk	**Current Risk Score**	**Target Risk Score**	
			▪ Risk likelihood score decreased March 2025. ▪ At SLT target score.

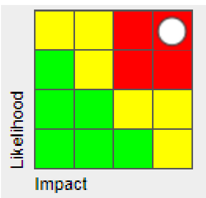
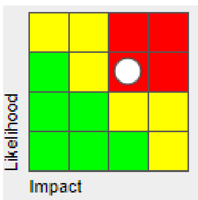
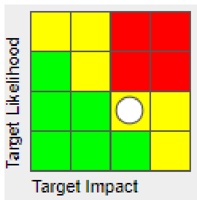
Actions – Progress



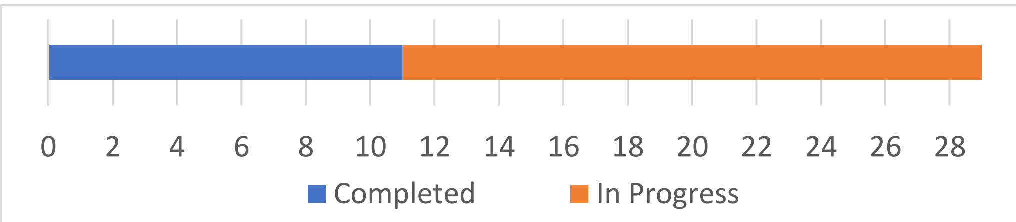
SR406- Corporate Governance			
Uncontrolled Risk	**Current Risk Score**	**Target Risk Score**	
			▪ Risk likelihood score increased, and Risk impact score reduced December 2024. ▪ Not yet at SLT target score.

Actions – Progress

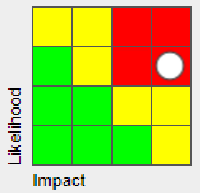
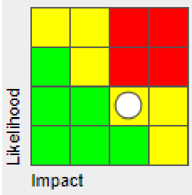
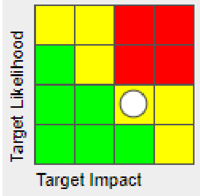


SR407 - Data Management and Security			
Uncontrolled Risk	**Current Risk Score**	**Target Risk Score**	
			▪ Risk score has remained static. ▪ SLT target score decreased May 2024. ▪ Not yet at SLT target score.

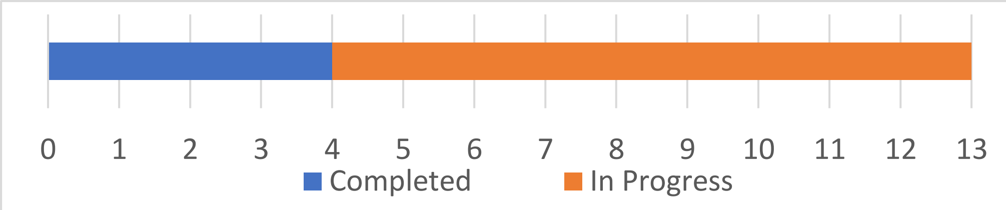
Actions – Progress



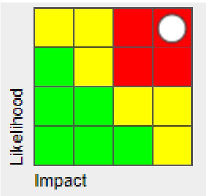
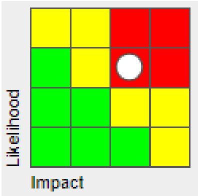
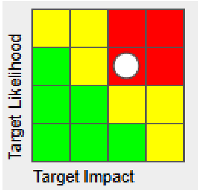
SR408- Environment

Uncontrolled Risk	Current Risk Score	Target Risk Score	
			▪ Risk score has remained static. ▪ At SLT target score.

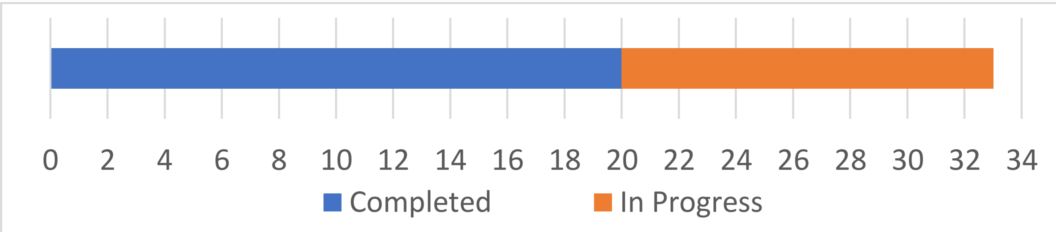
Actions – Progress



SR409 - Statutory Compliance Management

Uncontrolled Risk	Current Risk Score	Target Risk Score	
			▪ Risk score has remained static. ▪ SLT target score decreased February 2025 ▪ At SLT target score.

Actions – Progress



3.0 <u>Strategic Risk Register 2025/26- Development and Review</u>

3.1 All 9 strategic risks identified within the 25/26 register are pre-existing and therefore are fully developed and have established action plans.

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.

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

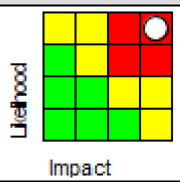
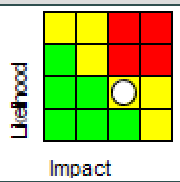
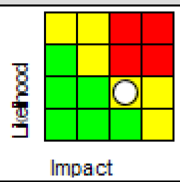
In writing this report and in putting forward recommendation's officers have considered the following a range of implications. This report in itself does not have any implications. During the risk reviewing process any controls that are identified are considered in terms of the implications they may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

Background Papers and Published Documents
None for this report

APPENDIX 1 – Strategic Risks

SR501 Financial sustainability – General Fund

SR501 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	Sanjiv Kohli
Support Officers	Nick Wilson

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
05-Feb-2025	3 Severe	B Likely	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 Commercial officer group established to identify business opportunities in service areas 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

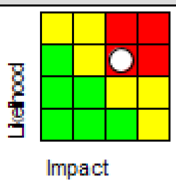
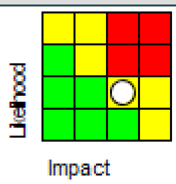
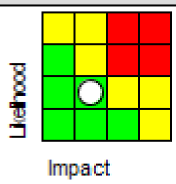
	Nottinghamshire Business Rates Pool mitigating large impacts of reductions in Business Rates. This is kept under review by Nottinghamshire S151 officers Quarterly budget monitoring report tabled at SLT, Cabinet and PPIC Annual Financial Regulations training in place Lead authority for administration 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 Commercial group established and projects identified by BM's across the authority. Allocation of resources both staffing and financial to account the councils' major projects in the capital programme and in the pipeline. Initial allocation of resources carried out by SLT.

Risk Categories	Financial Meeting corporate objectives Service delivery Reputation Governance Compliance
Trigger/Event	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 Local government reorganisation

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

SR502 Financial sustainability - HRA

SR502 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	Sanjiv Kohli, Suzanne Shead
Support Officers	Nick Wilson, Caroline Wagstaff, Simon Ingram, Craig Tinsley, Andrew Snape, David Price

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
17-Mar-2025	3 Severe	B Likely	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

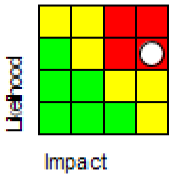
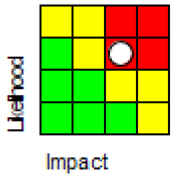
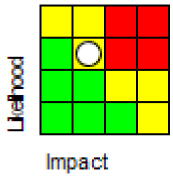
	• Review on housing management completed and housing service brought back in house. Efficiencies generated through budget review • Reserves in place

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 Local government reorganisation
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

SR503 Failure to deliver growth infrastructure

SR503 Failure to deliver growth infrastructure	
Description	Removing barriers to allow delivery of statutory housing targets.
Lead Officer	Matt Lamb
Support Officers	Cara Clarkson, Kevin Shutt, Matthew Norton, Neil Cuttell, Oliver Scott

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
11-Feb-2025	3 Severe	C Very Likely	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

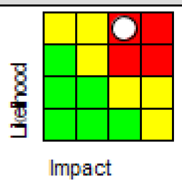
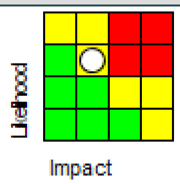
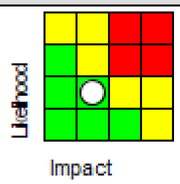
Risk Categories	Inability to deliver infrastructure projects to support growth. Specific projects include: **Direct NSDC influence**

	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: Planning reform Home owner incentivisation Competing budgetary demands: Decarbonisation vs ability to build new Partner funding (HE, DfT, EMCA) withdrawn/ reduced Delivery costs increased Funding bid failure & rigid rules Change in partnership priorities Housing development stalls Change in leadership Poor strategic decision making Failure of major infrastructure projects needed to unlock housing delivery: A46 Newark northern bypass – Delivery and timing A1 Over bridge – Technical constraints and increasing costs Non-strategic major road network fund priority junctions (A614/A617/A6097 corridor) NSDC direct delivery Insufficient capacity planning from infrastructure/utility providers Inability to influence at national/regional level Lack of coordination of delivery Significant increase in applications for speculative planning Growth targets for district not achieved LGR- Change focus of delivery to more regional bias
Impact	Infrastructure not delivered resulting in housing delivery halted or delayed Made to take growth where we don't want it Inadequate social infrastructure secured (smaller schemes that will likely come forward don't hit S106 triggers) Lack of visibility on where growth will take place to allow service providers to plan for future pressures

	Government sanctions for inability to deliver housing growth 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 Inability to resist speculative housing developments

SR504 Contract/supply failure

SR504 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	Deb Johnson, Suzanne Shead
Support Officers	Andrew Kirk, Nick Wilson, Caroline Wagstaff, Dave Richardson, Jenny Walker, Sue Bearman, Mark Fisher

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
21-Mar-2025	2 Moderate	C Very Likely	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

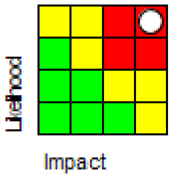
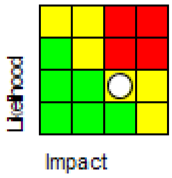
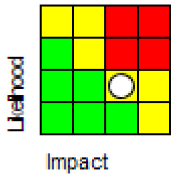
	Regular contract management meetings in place Active partnership approach embedded TRAINING Session delivered to BMs on contract management Session delivered to members on contract management

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 LGR Impact of multiple contracts and different suppliers
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

SR505 Workforce

SR505 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	Deb Johnson
Support Officers	Sarah Lawrie, Fiona Kerry

Uncontrolled Risk Matrix	**Current Risk Matrix**	**Target Risk Matrix**
		

Date Last Reviewed	**Impact**	**Likelihood**	**Risk Management**
28-Mar-2025	3 Severe	B Likely	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

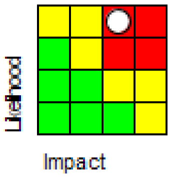
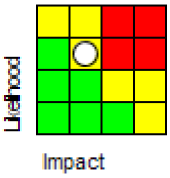
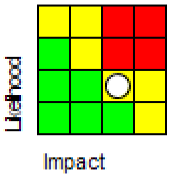
	development and the facilitation of succession management. Family friendly policies added benefits such as reduced gym membership staff loans, temporary free parking to support during the cost of living enhanced workplace entitlements to attract and retain quality candidates including hybrid working, 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. 25/26 budget allocations for additional apprenticeships to grow your own 25/26 additional money allocated for training and career development

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 Local government restructure
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)

SR506 Corporate Governance

SR506 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	Sue Bearman
Support Officers	Nigel Hill, Nick Wilson, Carl Burns, Deb Johnson

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
31-Mar-2025	2 Moderate	C Very Likely	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 • Productivity Plans

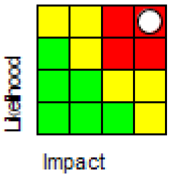
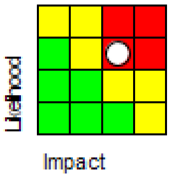
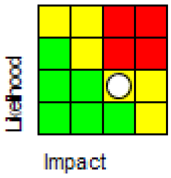
	• Corporate peer challenge

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

SR507 Data management and security

SR507 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	Sanjiv Kohli
Support Officers	Dave Richardson, Sue Bearman, Stacy Carter

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
27-Mar-2025	3 Severe	C Very Likely	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 • All data protection/ICT issues captured within single register **<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 • Amalgamation of digital transformation board with CIGG **<u>ICT/Equipment specific controls</u>** 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.

	<u>Partners and Stakeholder specific controls</u> • 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.

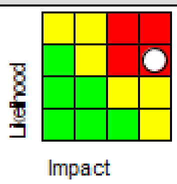
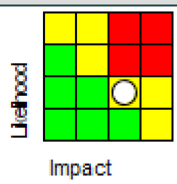
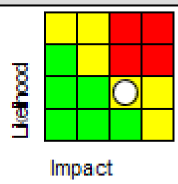
Risk Categories	Loss of vulnerable, personal, sensitive valuable data Legal compliance Reputation Financial Partners/stakeholders Disruption of service- including from a cyber attack Supply chain
Trigger/Event	**(Organisational)** • Personal, confidential or corporately sensitive/business critical information 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 **(Local Government Restructure)**
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

SR508 Environment

SR508 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	Matthew Finch
Support Officers	Carl Burns, Stephen Young, Caroline Wagstaff

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
13-Feb-2025	3 Severe	B Likely	Control Pending

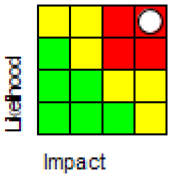
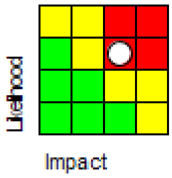
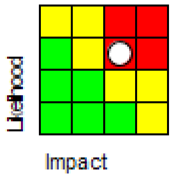
Controls In Place	
	1) Climate emergency declared 2) Approved date for net neutral – 2035 3) Costed action plan to support net neutral date 4) Appointed Environmental Policy and Projects Officer 5) Climate emergency project working group – meets quarterly 6) Project working group for depot development 7) Annual report to PPIC – 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 16) Decarb plan/surveys discussion 17) Special planning excercise for Brunel Drive

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 Local government reorganisation
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

SR509 Statutory compliance management

SR509 Statutory compliance management	
Description	Implementation and maintenance of suitable statutory safety compliance management systems.
Lead Officer	Sanjiv Kohli, Suzanne Shead
Support Officers	Caroline Wagstaff, Gareth Goddard, Kevin Shutt

Uncontrolled Risk Matrix	Current Risk Matrix	Target Risk Matrix
		

Date Last Reviewed	Impact	Likelihood	Risk Management
31-Mar-2025	3 Severe	C Very Likely	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 • Safety & Quality standard self-assessment undertaken

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 • Local government restructure
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

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 16 April 2025
Director or Business Manager Lead:	Sanjiv Kohli Deputy Chief Executive / Director – Resources and Section 151 Officer
Lead Officer:	Nick Wilson, Assistant Business Manager Financial Services on ext 5331

Report Summary	
Report Title	Counter-Fraud Activities from 1 May 2024 to 31 March 2025
Purpose of Report	To inform Members of counter-fraud activity undertaken since the last update reported on 1 May 2024.
Recommendations	That Members note the report
Reason for Recommendation	To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.

1.0 Background Information

1.1 An element of the role of the Audit & Governance Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

2.0 Counter Fraud Detection

2.1 The Housing Benefit fraud team was transferred to the Fraud and Error Service at the Department for Works and Pensions on 1 December 2015.

2.2 Any housing benefit cases identified as potentially fraudulent are referred to the Fraud and Error Service at the DWP for investigation, likewise the Fraud and Error service when investigating other national benefits will request information from us if there is a housing benefit indicator.

2.3 For 2024/25 1 referral has been received from the Fraud & Error Service, resulting in a Housing Benefit overpayment of £741.30.

The Fraud & Error Service also issued 12 requests for information from us regarding potential fraudulent claims.

2.4 In addition, the Department for Work and Pensions issue monthly data matches they have deemed as high risk for investigation.

2.5 HMRC also issue notifications of earning and pensions changes each month which are checked against existing housing benefit and council tax support claims to ensure that up to date figures have been used in any assessment. For the period 1st April 2024 to 31st March 2025 76 notifications were received from HMRC.

2.6 The migration of the working age Housing Benefit caseload to Universal Credit will be completed by the end of March 2026. At this point the only working age Housing Benefit claims in payment will be those where the customer is residing in temporary or supported exempt accommodation. In effect, most Housing Benefit claims after March 2026 will be for pension age customers only. This will drastically reduce the Housing Benefit caseload and therefore, the number of potential fraud referrals being made to and from the Department for Work and Pensions.

3.0 Other Counter-Fraud Work

Fraud Risk Register

3.1 Based on the Fraud Risk Register that was presented to the committee on the 31 July 2024 the table below shows progress against the identified actions:

Action	Due Date	Update	Revised date
Refreshing recruitment manager training through updating recruitment process, enabled via new ICT solution	September 2024	Complete	
Update Acquisition and Disposal policy by March 2025	March 2025		May 2025
Ensure all properties receive an annual inspection by August 2024	August 2024		August 2025

3.2 During March 2025, the Business Manager – Financial Services liaised with fraud risk owners to review their risks. The outcome of the fraud risk register review is tabled elsewhere on this agenda, but below are two additional control measures that are due to be put into place.

Action	Due Date	Update	Revised date
Automate onboarding through implementation of new ICT module	New action		December 2025
Refresh of Counter fraud training to Planning team by July 2025	New action		July 2025

4.0 The National Fraud Initiative (NFI)

4.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.

4.2 As an alternative approach to previous years, a County wide single person discount review was conducted during 2023/24 by a third party selected to conduct the exercise with the major preceptors agreeing to pay the costs pro rata according to the % share of the Council Tax bill.

4.3 In total, following a rigorous data matching exercise with Experian and a further in-depth filtering process where 15,771 single person discount cases were validated as correctly claiming the discount, initial canvass letters were issued to the remaining 3,840 households on 10th January 2024 requiring households to validate their single person discount status or provide updated details with regard to who is living at the property.

4.4 Reminder letters being issued to 1,697 households on 30th January 2024 due to no response. At the end of the SPD review process 664 households had failed to respond to both review letters and as such, were subject to their discount being removed with effect from 1st April 2024.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Nil.

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to: Audit and Governance Committee – 16 April 2025

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

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

Report Summary	
Report Title	Fraud Risk Assessment
Purpose of Report	To inform members of the update of the Fraud Risk Register undertaken during March 2025.
Recommendations	That members note the content of the report.
Reason for Recommendation	To promote a strong counter-fraud culture, it is important that Members are aware of the Council's fraud risks and the controls in place to mitigate them.

1.0 Background

1.1 A fraud risk assessment was first undertaken in June 2014 and a fraud risk register produced and presented to the Audit and Accounts Committee.

1.2 The fraud risks are assessed annually and the register updated. The amended Fraud Risk Register as at April 2025 is attached at Appendix A (and in the exempt appendix).

2.0 Work Undertaken

2.1 All of the existing risks have had a review by the Business Manager – Financial Services, and the risk owner. These were all considered as to whether there are new fraud types within the risk and whether the controls reflected the current environment.

2.2 The risk scores were then reviewed to determine whether the impact or likelihood of any of the frauds occurring has changed since the last review.

2.3 The final part of the exercise was to consider whether any further actions were appropriate which would lead to further controls being in place. Where actions were identified, these are measurable and were given a timeframe for completion, which would therefore seek to reduce either the likelihood or impact of the potential fraud. This review was set in the context of proportionality to ensure that proportionate resources are deployed to ensure the prevention and detection of any fraud.

3.0 Results

3.1 There are 22 areas of the Council that are deemed to have a fraud risk. The type of risk is dependent on the service. Based on the existing controls, of those risks, six are currently considered to be medium risk (amber) and sixteen are low risk (green).

3.2 During the assessment process, it was felt that none of the risk scores needed to change from the assessment carried out during April 2024.

3.3 Further actions have been identified, some which are specific to the risk itself, whereas there are some actions which are holistic and overarch a number of the fraud risks. The details of all of the actions together with completion by dates are included within the appendix.

3.4 Nineteen of the risks have achieved their target score. There are three that are still to achieve their target.

3.5 The Fraud Risk Register will be updated and reported to the Committee annually. The risks, controls, current risk scores and target scores, and further actions, will be monitored accordingly. Progress on implementing further actions will be reported in the bi-annual Counter-Fraud activity report to the Committee.

4.0 Equalities Implications

None.

Background Papers and Published Documents
None.

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

LIKELIHOOD	4 Almost certain					Occurs several times per year – it will happen
	3 Probable	Employment Fraud : Payment	Housing Benefit Council Tax Support Council Tax Procurement Fraud : Contracts & Payments			It has happened before – and could happen again
	2 Possible	Insurance Fraud Employment Fraud : Recruitment Council Assets (fraudulent use)	Assets : Land and Property Economic & Third Sector fraud Assets : Equipment Development Management NNDR Housing Fraud	Cyber Fraud		It may happen but it would be unusual
	1 Hardly ever	Money Laundering Electoral Fraud–Registration Bank Fraud	Electoral Fraud– Elections Credit Income & Refunds	Investment Fraud		Never heard of it occurring – we cannot imagine it occurring
		1 Negligible	2 Minor	3 Major	4 Critical	
		IMPACT				

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**HOUSING BENEFIT FRAUD**
Risk Owner	**Business Manager – Revenues and Benefits**
FRAUD TYPES	• False applications • False documents • Failing to notify change
CONTROLS	• Annual participation in National Fraud Initiative alongside real time information reviews that are prioritised daily with information received from DWP and HMRC • Fraud referral process in place with DWP Fraud and Error Service • Ad hoc communication to social landlords on housing benefit matters • Payment of benefit procedures completed as per the Financial Regulations • Experienced benefits staff in place • Combined database with revenues • Annual subscription to National Anti-Fraud Network allows intelligence gathering • DWP led review individual cases to ensure accuracy of award • Counter-fraud page on website detailing how public can report fraud • Council Tax and Housing teams sharing intelligence to identify potential fraud • Audit of the Subsidy claim whereby individual cases are reviewed - completed by External Audit • Verification of National Insurance number, proof of employment, residence, financial standing and dependents within the household prior to award • Training on Housing Benefits processes to the Housing Management Business Unit • Review website for communications and publicity • Whistleblowing policy updated • Housing Benefit Matching Service Accuracy Initiative implemented with DWP • DWP caseload review processing for selected cases
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	AMBER

TARGET RISK

	X		

CURRENT RISK

	X		

FRAUD RISK	**COUNCIL TAX SUPPORT SCHEME**
Risk Owner	**Business Manager – Revenues and Benefits**
FRAUD TYPES	• False applications • Failure to notify change in circumstances
CONTROLS	• Anti-Fraud & Corruption Strategy in place and updated December 2024 • Annually approved Council Tax Support policy last updated January 2025 • Counter-fraud page on website detailing how public can report fraud • Annual participation in National Fraud Initiative alongside real time information reviews that are prioritised daily with information received from DWP and HMRC • Council Tax and Housing share intelligence and identify potential fraud opportunities • Verification of National Insurance number, proof of employment, residence, financial standing and dependents within the household • Experienced benefits staff in place • Annual subscription to National Anti-Fraud Network allows intelligence gathering • Annual participation in National Fraud Initiative alongside real time information reviews daily with information received from DWP and HMRC • Annual Single Person Discount review which will potentially identify fraud or error • Whistleblowing policy updated Feb 25 • Conduct bi yearly council tax single person discount reviews to supplement NFI review – external support has been used for the 2024 review in consultation with other Notts LA's and is being planned for the 2025 review. •
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	AMBER

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**COUNCIL TAX FRAUD**
Risk Owner	**Business Manager – Revenues and Benefits**

FRAUD TYPES	• Avoidance of liability through any fraudulent claim for council tax discount or exemption
	• New properties not on the list:
	    ○ built without planning permission
	    ○ No notification of properties built and occupied or built and substantially complete

CONTROLS	• Anti-Fraud & Corruption Strategy updated December 2024 • National Fraud Initiative – data matching. The expanded data matching review is completed every two years • Liaising with the university – access to student lists & annual review of students continued attendance on course • Due diligence completed on every application received • Review planning data in respect of new developments • Visual inspection in respect of new or altered properties • Counter-fraud page on website detailing how public can report fraud • Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities • All s13A exemptions and discounts for appropriateness and continued eligibility • Whistleblowing policy updated Feb 25 • Participate in corporate risk review meeting for GRT sites • Annual review of disabled person reductions and ongoing monitoring of all property based exemptions by our inspectors
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	AMBER

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**NNDR FRAUD**
Risk Owner	**Business Manager – Revenues and Benefits**

FRAUD TYPES	• Failure to declare occupation
	• Companies going into liquidation then setting up as new companies
	• Avoidance of liability through fraudulent claim for discount or exemption
	• Empty rate avoidance
	• New properties not on the list:
	    ○ built without planning permission
	    ○ No notification of properties built and occupied or built and substantially complete

CONTROLS	• Anti-Fraud & Corruption Strategy updated December 2024 • Ensure liable business identified for each assessment on the list • Information sharing with Asset Management and Sundry Debt teams • Inspections of occupied and unoccupied properties • Public complaints • Promptly report new premises to valuation office • Supporting evidence requested during changes in occupation • Counter-fraud page on website detailing how public can report fraud • Use of Analyse Local to review and identify potential undeclared alterations and new properties • Shared inspection resource – NDR along with other Notts Districts employ shared resource to check empty properties, quality assurance for existing properties and identify new and additional properties • Whistleblowing policy updated Feb 25 • Gifts and Hospitality policy updated Feb 25 • On-going review of Small Businesses to ensure any relief granted is valid
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**CREDIT INCOME AND REFUND FRAUD**
Risk Owner	**Business Manager – Revenues and Benefits**
FRAUD TYPES	**Council tax/NNDR** • Suppression of notification of debt to be raised • Improper write-off • Failing to institute recovery proceedings • Switching or transferring arrears • Manipulation of credit balances • Payment using false / fraudulent instrument then re-claim of refund
CONTROLS	• Anti-Fraud & Corruption Strategy updated December 2024 • Refund to original card/bank account where appropriate • Where refunds are processed a two stage approval process is in place • Audit trail stamp on transactional information • Individual log ins to the Revenues system for officers • Reconciliations completed between the financial management system and the source documents • Write off policy in place • System restrictions only allow certain banded officers to complete certain tasks • Counter-fraud page on website detailing how public can report fraud • Counter Fraud details on intranet • No cash receipted at Council offices for Council Tax/NNDR • Review of where the credit balance has originated from, to ensure that the source is legitimate • Properties that are empty are monitored by a Senior Officer/Property Inspector • Recovery inhibits are monitored by Senior Officers • Large balances against debtors monitored • Regular recovery action being undertaken • NAFN alerts received and reviewed by the Senior Officers • Whistleblowing policy updated Feb 2025 • Annual refresher training/awareness of potential fraud activities e.g. refund fraud at team meeting
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	PROCUREMENT & CONTRACT FRAUD (CONTRACTS)
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	• Bid rigging & cartels – including cover pricing • Bribery of officers or Members involved in contract award • Collusion between officers and contractors involved in tendering • Violation of procedures • Manipulation of accounts • Failure to supply • Failure to supply to contractual standard • Inflating performance information to attract greater payments
CONTROLS	• External Procurement Team independent to the Council assists with procurements • Contract procedure rules updated May 2022 • Financial Regulations updated May 2022 • Contract management toolkit in place • Equifax check on proposed companies to be contracted with • Evaluation teams for award of contracts - individual scoring • Code of Conduct in place • Electronic tender system used for receipt of tenders • Anti-Fraud & Corruption Strategy updated December 2024 • Contract management training • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Annual refresher training on procurement • Procurement guidance on Contract Management on intranet • Housing capital expenditure is now channelled through the Council's e-tendering platform • Spot checks on CPR compliance • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Review of actual invoice payments through the budget monitoring process • Annual review of contract management performance of a selection of key contracts • Whistleblowing policy approved February 2025 • Gifts and Hospitality policy approved February 2025 • Half yearly review of contracts register from December 2024 • Half yearly review of contracts by Directors from December 2024
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**PROCUREMENT AND CONTRACT FRAUD (PAYMENTS)**
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	• Credit cards & procurement cards • False invoices & claims • Duplicate payments (false submission) • Senior executive fraud • BACS fraud - fraudulent change of bank details • Mandate fraud • Claiming petty cash for personal items • Records or methods of payment
CONTROLS	• Financial Regulations updated May 2022 • Anti-Fraud & Corruption Strategy updated December 2024 • Bi-annual review of Accounts Payable through the National Fraud Initiative • Authorisation of orders by authorised officer separate to that requesting the order to be raised • Check/approval on changes to creditor details (to prevent mandate fraud) • Review of actual invoice payments through the budget monitoring process • All procurement cards are owned by an individual officer and details of the card are kept private • All spend over £500 published on the Councils website as part of the Governments Transparency agenda • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Annual Financial Regulations training for all appropriate staff • Whistleblowing policy updated February 2025 • Checking of bank account details with banking system to ensure details are correct for new suppliers and updating details for existing suppliers
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	GREEN

TARGET RISK	**CURRENT RISK**

TARGET RISK

CURRENT RISK

	X		

	X						

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	BANK FRAUD
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	• Misuse of cheques • Alteration of existing cheques • Bank Mandate fraud • Direct Debit, Standing Order fraud on Council's bank account • Unauthorised payments
CONTROLS	• Financial Regulations updated May 2022 • Anti-Fraud & Corruption Strategy updated December 2024December 2024 • Monthly Bank reconciliations completed • Control accounts are balanced at each month end • Verify changes of bank account details using original contact information & audit trail • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Review of actual invoice payments through the budget monitoring process • Cheques stored securely, with limited access and reconciled to the financial management system once appearing on the bank statement • Role profiles within the banking system set to ensure separation of duties between those creating the investment and those authorising the investment • Bank communications on fraud distributed to the treasury officers • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Relevant Officers signed up through the National Anti Fraud Network (NAFN) • Review of actual invoice payments through the budget monitoring process • Whistleblowing policy approved February 2025
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**INVESTMENT FRAUD**
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	• Fraudulent misappropriation of assets • Loss through breach of procedures • False instruments
CONTROLS	• Annually approved Treasury Management Strategy • Role profiles within the banking system set to ensure separation of duties between those creating the investment and those authorising the investment • Where transaction is greater than £50,000 two authorisers must release the payment • Treasury Management advisers review of current portfolio together with instant communication on counterparty rating changes and review of potential new investment counterparties • Financial Regulations updated May 2022 • Anti-Fraud & Corruption Strategy updated December 2024December 2024 • Monthly reconciliations of investment transactions to third party statements • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025 • Gifts and Hospitality policy approved February 2025
ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN
TARGET RISK	**CURRENT RISK**
	

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	ASSETS (LAND AND PROPERTY)
	• **Business Manager – Corporate Property** • **Director – Housing, Health and Wellbeing** • **Business Manager - Strategic Housing** • **Business Manager – Financial Services**
FRAUD TYPES	• Acquisition for more than market value • Selling asset for less than market value • Collusion between staff and purchaser – may include provision of insider knowledge (e.g. planning, leases & covenants) • Collusion between staff and tenant • Interaction with commercial agents who could under/over value properties
CONTROLS	• Up to date Asset register with valuations based on the Council's 5 year rolling programme of valuations • Council procures Independent valuation where an asset is to be sold without auction as per the Acquisition and Disposals policy • Sale and acquisition of land or property assets must be approved at Cabinet above £300,000, Section 151 Officer delegated below this (in accordance with the Acquisition and disposal policy) • Financial Regulations approved at Council May 2022 • Anti-Fraud & Corruption Strategy approved at Council December 2024 • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Monthly meetings across the portfolio with Corporate Debt Team • Identification and Credit checks on new tenants • Commencement of lease form distributed to relevant departments within the Council (Legal, Business Rates) • Acquisition and Disposal policy adopted November 2021 • Budget monitoring reviews to ensure income being raised • Corporate Asset Management Plan approved July 2022 • Whistleblowing policy approved February 2023 • Gifts and Hospitality policy approved February 2023 • Completed delegated authority form required prior to legal commencement
AGREED ACTIONS	• **Update Acquisition and Disposal policy by May 2025** • **Ensure all properties receive an annual inspection by August 2025**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK	**CURRENT RISK**

	X				X		

FRAUD RISK	**ASSETS (EQUIPMENT)**
Risk Owner	**Business Manager - ICT**
FRAUD TYPES	• Selling asset for less than market value • Collusion between staff and purchaser • Disposal of assets no longer required by the council
CONTROLS	• Annual review of Asset register • Up to date Financial Regulations • Up to date Anti-Fraud & Corruption Strategy • Segregation of duties – between officers procuring new equipment and those disposing of assets • Internal Audit reviews • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Acquisition and Disposal policy adopted November 2021 • Gifts and Hospitality policy approved February 2025 • Whistleblowing policy approved February 2025
ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK				**CURRENT RISK**			
	X				X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**EMPLOYMENT (RECRUITMENT FRAUD)**
Risk Owner	**Business Manager – HR**
FRAUD TYPES	• False identity • Immigration (no right to work or reside) • False qualifications • Failing to disclose previous convictions • Non-disclosure of double job • Human trafficking
CONTROLS	• Declaration to comply with the Council's Code of Conduct for all new starters at appointment stage • All managers trained in HR policies around recruitment and selection incorporating DBS Code of practice and safeguarding requirements where appropriate • Pre-employment checks by HR including identity verification, right to work in the UK and required qualifications • References sought on all external appointments from referees and appointments subject to verification • Request to see copies of new starters' bank statements to satisfy ourselves that monies paid are receipted into their accounts • DBS checks completed for appropriate posts • ICT solution implemented and new recruitments completed via this method • Onboarding process includes check on other employment • Recruitment manager training available on the Intranet • Check proof of National Insurance number
AGREED ACTIONS	• **Automate onboarding through implementation of new ICT module by December 2025**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**EMPLOYMENT (PAYMENT FRAUD)**
Risk Owner	**Business Manager – HR** **Business Manager – Financial Services**
FRAUD TYPES	• Creation of non-existent employees (ghost) • Unauthorised changes to payroll • Redirection or manipulation of payments • False sickness claims • Not working required hours or undertaking required duties • False declarations of mileage or overtime • False supporting documentation • Breaches of authorisation and payment procedures • Abuse of time
CONTROLS	• Officer code of conduct in place and declared by all employees which details expected behaviours, corporate policies and potential penalties of wrongdoing. • Payments made in accordance with Financial Regulations • Anti-Fraud & Corruption Strategy updated December 2024 • Separation of duties between HR, Payroll & Business Managers • Contract and Job description detail post holder requirements in respect of their role • Access controls on HR/Payroll system • Management supervision & authorisation of claims • Budgetary control devolved to budget managers and monitored on a monthly basis • Exception reports produced and reviewed by payroll on a monthly basis • Audit trail/personal logins on all systems • Any employee changes authorised by relevant Director/Business Manager • Reconciliation of payroll to BACS payments • Probationary periods to ensure suitability in role • Medical certification for sickness and a robust policy to manage attendance • Training for managers on disciplinary, capability and attendance manager processes and refresher training provided when required • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • IR35 assessments in place and regular reminders/refreshers sent to all managers on the engagement of agency workers and consultants

	• All staff received fraud awareness e-learning during 2024, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025 • Annual audit of use of flexi time. Investigate exceptions to standard policy • Multi factor authentication on Payroll system for staff. Bank account changes can only be affected in the system – those requested outside of the system are verified with the person requesting.
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

FRAUD RISK	**INSURANCE FRAUD**
Risk Owner	**Business Manager – Public Protection**
FRAUD TYPES	• False insurance claims • Duplicate or serial claims • Fraudulent insurance payments
CONTROLS	• Small excess on policy, ensuring external claims handlers review each claim individually • External claim handlers have specialist software to identify fraudulent claims • Anti-Fraud & Corruption Strategy updated December 2024 • monitor prior year information and match against new claims – highlighted onto external claims handlers • Notification of regional and national trend information passed from insurers and brokers through Risk Management Group meetings • Counter-fraud page on website detailing how public can report fraud • Letter included within insurance pack when sent through to claimant detailing their responsibilities regarding fraudulent claims • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Risk Management fund funding schemes to mitigate fraudulent claims • Two level authorisation scheme for payments • Permanent insurance officer recruited July 2022 • Whistleblowing policy approved February 2025 • All insurance operations are now coordinated through one central team • FIT training successfully completed by Insurance officer

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

FRAUD RISK	**MONEY LAUNDERING**
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	• Using the Council to hide improper transactions – possible links to organized crime
CONTROLS	• Up to date Anti-Money Laundering policy • Up to date Financial Regulations • Cash receipts over £1,500 reported to MLRO • Cashless offices • Legal checks on Right to Buy purchases • Checks on source of credit balances prior to issuing refunds on NNDR and Council Tax and rents • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025
AGREED ACTIONS	n/a
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	ELECTORAL FRAUD (ELECTIONS)
Risk Owner	**Business Manager – Democratic Services**
FRAUD TYPES	• Fraudulent voting (including postal votes) • Fraudulent acts by poll clerks & presiding officers at polling stations • Fraudulent acts by postal vote opening staff • Fraudulent acts by verification / count staff • Fraudulent acts by Political parties / candidates
CONTROLS	• Integrity Plan in place for electoral registrations • Anti-Fraud & Corruption Strategy updated December 2024 • Supervisory roles identified at counts and senior staff appointed to these • Postal votes opening sessions are supervised with controls in place to oversee process • Access controls at polling stations & counts • Ballot box controls around security of the box • Ballot paper accounts checked as part of verification process • Pre-employment checks on recruited staff • Counter-fraud page on website detailing how public can report fraud • Dedicated SPOC at Nottinghamshire Police who would be informed of possible issues with fraud • Full training of all staff in face to face roles in accordance with Electoral Commission guidance and statutory regulations • Issue all candidates guidance on their role in postal voting • Briefing to all candidates and agents ahead of elections • Whistleblowing policy approved February 2025 • Provision of voter ID checks now established • New regulations in place to restrict postal vote returns • Cyber security control measures in place
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	ELECTORAL FRAUD (ELECTORAL REGISTRATION)
Risk Owner	**Business Manager – Democratic Services**
FRAUD TYPES	• Fraudulent applications for individual electoral registration (IER) • Fraudulent application for absent voting (postal & proxy) • Fraudulent acts by staff employed as canvassers
CONTROLS	• Integrity Plan in place for electoral registration • Anti-Fraud & Corruption Strategy updated December 2024 • Verification process through the IER digital service • Supervisory checks on verification failures • Proof of identity is requested where required • Application forms scrutinised before processing • Controls within Electoral software in order to flag unusual registration activity • Training for canvass staff prior to visiting properties • Cyber security control measures in place
AGREED ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	DEVELOPMENT MANAGEMENT
Risk Owner	**Business Manager – Development Management** **Business Manager – Planning Policy**
FRAUD TYPES	Corruption and collusion including: • Inducements • Conflict of interest/bribery • Planning - S106, affordability and other areas where officers are checking compliance & fines issued etc • Using Planning Process to increase land values • False representation
CONTROLS	• Senior officer determination of all planning applications (post case officer work) • Senior Officer one to one discussions with all case officers regarding cases • Open & visible process of all cases open to Team leaders & peers • Planning Committee is a public meeting and hence allows public scrutiny (inclusive of allowing public speaking from 9th May 2024) • Report for all applications and pre-application advice with explanation of grant or refusal determined by Senior Officers. All planning application reports are then published (not pre-applications) externally • Reconciliation of all planning related (including pre-application) fees & charges to the General Ledger • Reconciliation of Land charges fees to the General Ledger • Reconciliation of Street naming and numbering to the General Ledger • Regular meetings with accountant, to monitor and sense check income • Separation of duties in the fee procedure (receipting, banking, planning application) • System flag for duplicated applications • Audit trail on fee income • Enforcement action-reporting & sign off by Senior officer and different officer to the officer investigating • Section 106 – separation of duties, legal agreement, triggers for payment monitored, monitoring group, reconciliation and Officer recommendations based on “CIL regulation 123 tests” • Regular review and update of Constitution including Members conduct re planning • Anti-Fraud & Corruption Strategy updated December 2024 • Code of Conduct (officers & Members) • Counter-fraud page on website detailing how public can report fraud • Ombudsman review of approach to planning determinations • Judicial review challenges by interested parties on points of law • Counter Fraud section on intranet • All refunds where the application has been made through the Planning portal, to be refunded through that process, where all other refunds will require an image from the bank account to show originating bank details. These are all authorised by a Senior Officer. • Gifts and Hospitality policy approved February 2025 • Whistleblowing policy approved February 2025

	• Counter fraud training recapped with all planning staff July 2022 • Spot checks of enforcement cases in place monthly from July 2022
ACTIONS	**Refresh of Counter fraud training to Planning team by July 2025**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**ECONOMIC & THIRD SECTOR FRAUD**
Risk Owner	**Business Manager – Financial Services**
FRAUD TYPES	Any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organization: ○ Fake applications ○ Collusion
CONTROLS	• Substantiate authenticity of application via internal and external sources • Grant eligibility criteria considered before award • Anti-Fraud & Corruption Strategy updated in February 2021 • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Application process for non Direct Debit Council Tax payers, which will check to Revenues system to agree the liable person. • Prepayment checks to spotlight to ensure that liable person at correct address agrees to the bank account details quoted on application • Bank statements to be reviewed in exception circumstances • Whistleblowing policy approved February 2025
ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

FRAUD RISK	**HOUSING FRAUD**
Risk Owner	• **Director – Housing, Health and Wellbeing** • **Business Manager - Housing and Estates Management** • **Assistant Business Manager – Housing and Estate Management**
FRAUD TYPES	• Fraudulent housing application - false or omitted information • False homelessness applications – false or omitted information • Fraudulent succession or assignment • Unlawful sub-letting • Not using property as main or principle home • Right to Buy - fraudulent application, valuation, etc.
CONTROLS	• Participation in the National Fraud Initiative through supply and matching of application, tenancy and Right to Buy data • Robust consideration and investigation into Right to Buy applications; a joint approach is adopted between officers where fraud is suspected • Supporting information requirements at application and offer stage – such as proof of identification, proof of residency and medical evidence • Internal application verification and checking process to check for previous tenancies and former tenancy debt • Tenants are made aware at sign up of their obligations regarding their tenancy agreement and by signing the tenancy agreement show they understand the consequences of being in breach of this • Photographs are taken at sign-up and stored on the in-house management system and reviewed as part of the “Getting to know you visit” • ”Getting to know you visit” programme provides an ongoing detection and prevention of tenancy fraud through, checking, verifying and updating records of tenants and occupants through risk based approach with a minimum of visits every three years • A culture has been developed where all staff are empowered to report cases where they suspect tenancy fraud • Separation of duties in the allocation of homes with annual reports to audit this separation • If allocation of home to a Council officer, this is approved by the Business Manager – Housing Services • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Experienced, well trained staff carrying out allocations and front line service delivery • Excellent working relationships with agencies who can support with the identification of actions to address tenancy fraud and/or unlawful occupation of properties • Relationship developed between Housing and Revenues and Benefits staff to assist in the detection of fraud • Annual number of sub-letting reports included within performance monitoring framework • Verification of tenants details on the Universal Credit landlord portal • Publication in rent statement insert regarding tenancy fraud – encouraged tenants to report where appropriate

ACTIONS	N/A
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

	X		

CURRENT RISK

	X		

FRAUD RISK	**FRAUDULENT USE OF COUNCIL ASSETS**
Risk Owner	**All Directors and Business Managers**
FRAUD TYPES	• Theft of assets and equipment • Sale of assets and equipment
CONTROLS	• Financial Regulations updated May 2022 • Anti-Fraud & Corruption Strategy in place and updated December 2024 • Guidance for Dealing with Irregularities updated February 2021 • Management controls • Induction process • Security policy • User reports e.g. internet, telephone • Internet use policy • Access controls • Software audit facility • Code of conduct • Inventory checks • Complex passwords • Separation of duties • Staff counter-fraud training • Counter Fraud section on intranet • All staff received fraud awareness e-learning during 2021, this is now included in the introduction pack and a cyclical requirement • Whistleblowing policy approved February 2025
ACTIONS	**n/a**
CURRENT RISK SCORE	GREEN
TARGET RISK SCORE	GREEN

TARGET RISK

X			

CURRENT RISK

X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (APRIL 2025)

NEWARK & SHERWOOD DISTRICT COUNCIL

Report to:	Audit & Governance Committee Meeting 16 April 2025
Director or Business Manager Lead:	Nick Wilson, Business Manager – Financial Services Sue Bearman, Assistant Director - Legal & Democratic Services, Monitoring Officer

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 16TH APRIL 2025 **WORK PLAN**

Meeting date at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
7 May 2025			
	Local Government Association Peer Review including any governance arrangements implications	Sue Bearman	
	Constitution Review Update	Sue Bearman	
	Conduct and Public Service Update	Sue Bearman	
	Annual Review of the Council's Constitution	Sue Bearman	Review the Council's Constitution
	Review of Contract Procedure Rules	Nick Wilson	
	Report One - Outcome of Housing Ombudsman Investigation	Julie Davidson	
	Report Two - Outcome of Housing Ombudsman Investigation	Julie Davidson	
	Progress of Gas Safety Compliance	Caroline Wagstaff	A report to follow meeting on 25 September 2024
	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 the Audit & Governance Committee if an update is available.
2 July 2025			
	Annual Internal Audit Report 2024/25	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 2024/25 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
	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.
	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 the Audit & Governance Committee if an update is available.
24 September 2025			
	Q1 Budget Performance Report 2025/26	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 2025/26	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	
	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 the Audit & Governance Committee if an update is available.
	LGSCO Annual Review Report	Jill Baker	To share with Members the annual LGSCO complaints handling report
10 December 2025			

	Internal Audit Progress Report 2025/26	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 2024/25	Mark Surridge (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 2024/25 & 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 2025/26	Nick Wilson	To ensure the sustainability of the Council's General Fund, HRA and Capital Programme through the in-year monitoring of the budgets.
	Audit and Governance Committee Annual Report To inform Members of the activity undertaken by the Audit and Governance Committee	Nick Wilson	To ensure that the Committee discharges its responsibilities as per its delegated authority within the Councils constitution.
	Customer Feedback (Complaints, Suggestion & Praise for the period April 2025 – September2025 (Half 1 - 2025/26)	Carl Burns	
	Housing Ombudsman Annual Review Update	Jill Baker	To share with Members the annual Housing Ombudsman complaints report
	Strategic Risk Management (previous report taken to April 2025 Audit & Governance Committee)	Richard Bates	Gain assurance that appropriate risk management arrangements are in place,

			update presented to the Committee on a 6 monthly basis.
	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 the Audit & Governance Committee if an update is available.
4 March 2026			
	Internal Audit Progress Report 2025/26	Phil Lazenby (TIAA Ltd)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Auditors Annual Audit Completion Report	Mark Surridge (Mazars)	
	External Auditors Annual Audit Report	Mark Surridge (Mazars)	
	Q3 Budget Performance Report 2025/26	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 2026/27	Nick Wilson	To review the Councils General Fund revenue budget, Capital Programme and Medium Term Financial Plan.
	Treasury Strategy 2026/27	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
	Capital Strategy 2026/27	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Investment Strategy 2026/27	Andrew Snape	The investment strategy meets the requirements of statutory guidance issued by the government relating to the Councils Treasury and Non-Treasury investments.
22 April 2026			
	Internal Audit Progress Report 2025/26	Phil Lazenby (TIAA Ltd)	Understand the level of assurance for audited activities and ensure management progress

			recommended actions to mitigate identified risks
	External Auditors Annual Draft Audit Completion Report	Nick Wilson	
	Q3 Budget Performance Report 2025/26	Nick Wilson	To ensure the sustainability of the Council's General Fund, HRA and Capital Programme through the in-year monitoring of the budgets.
	Statement of Accounting Policies	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Andrew Snape	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Property, Plant and Equipment Valuation Assumptions	Andrew Snape	Gain assurance that the assumptions used by the Council's valuers to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Annual Review of the Council's Constitution	Sue Bearman	Review the Council's Constitution
	Strategic Risk Management	Richard Bates	Gain assurance that appropriate risk management arrangements are in place, update presented to the Committee on a 6 monthly basis.
	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 the Audit & Governance Committee if an update is available.

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

Document is Restricted