



**Committee:** AUDIT COMMITTEE

**Date:** WEDNESDAY, 19 MARCH 2025

**Venue:** MORECAMBE TOWN HALL

**Time:** 6.00 P.M.

## A G E N D A

1. **Apologies for Absence**

2. **Minutes**

To receive as a correct record the Minutes of the meeting held on 27<sup>th</sup> November 2024 and 30<sup>th</sup> January 2025 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declarations of Interest**

To receive declarations by Councillors of interests in respect of items on this Agenda.

Councillors are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Councillors should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Councillors are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Strategic Risk Management (Pages 4 - 19)**

***Whilst this report is public, Appendix B is exempt, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the exempt appendix.***

Report of the Chief Executive

6. **Internal Audit Progress Report (Pages 20 - 41)**

Report of the Head of Internal Audit

7. **Internal Audit Plan 2025/26** (Pages 42 - 58)  
Report of the Head of Internal Audit
8. **Annual Governance Statement Action Plan** (Pages 59 - 62)  
Report of the Monitoring Office
9. **Review of the Regulations of Investigatory Powers Act 2020 (RIPA) Policy and Procedure** (Pages 63 - 87)  
Report of the Information Governance Manager  
Published 13.03.25
10. **Review of Anti-Fraud & Corruption Policies** (Pages 88 - 133)  
Report of the Chief Finance Officer  
Published 13.03.25
11. **Annual Audit Report** (Pages 134 - 155)  
Report of Chief Officer Finance  
Published 12.03.25
12. **Proposed Accounting Policies and Critical Judgements in the Preparation of the Statement of Accounts 2024/25** (Pages 156 - 177)  
Report of the Chief Finance Officer  
Published 14.03.25
13. **Statement of Accounts Update** (Pages 178 - 183)  
Report of the Chief Finance Officer  
Published 18.03.25

## **ADMINISTRATIVE ARRANGEMENTS**

### **(i) Membership**

Councillors Paul Stubbins (Chair), David Whitaker (Vice-Chair), Ruth Colbridge, Peter Jackson, Colin Hartley, Kate Knight and Isabella Metcalf-Riener

### **(ii) Substitute Membership**

Councillors Gerry Blaikie (Substitute), Dave Brookes (Substitute), Sally Maddocks (Substitute) and Sandra Thornberry (Substitute)

**(iii) Queries regarding this Agenda**

Please contact Sarah Moorghen, Democratic Support - email [smoorghen@lancaster.gov.uk](mailto:smoorghen@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support, telephone 582000, or alternatively email [democracy@lancaster.gov.uk](mailto:democracy@lancaster.gov.uk).

MARK DAVIES,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER, LA1 1PJ

Published on 11<sup>th</sup> March 2025.

**AUDIT COMMITTEE****Strategic Risk Management****19 March 2025****Report of Chief Executive****PURPOSE OF REPORT**

To provide the Committee with an update on the authority's progress in updating the Strategic Risk Register.

**This report is public, with appendix B being exempt by virtue of paragraph 3 of Schedule 12A the Local Government Act 1972.**

**RECOMMENDATIONS**

- (1) The Audit Committee note the Strategic Risk Register, as shown as appendix A (public report) and appendix B (restricted report).

**1.0 Report**

- 1.1 Quarterly Strategic Risk Report as updated by Leadership Team to be seen by Audit Committee to be noted.
- 1.2 There are currently 26 Strategic Risks open on the register.
- 1.3 The attached appendices show the changes to the council's Strategic Risk Register made during the last quarter, covering the time period 29<sup>th</sup> October 2024 to 24<sup>th</sup> February 2025. Changes are highlighted using red text. A summary of the main changes are:
- Two new Strategic Risks have been added to the register. These are "SR28 – Delivery of Mainway Project" and "SR29 – Local Government Reorganisation".
  - Risk reviews have been run against 18 Strategic Risks.
  - Action plan due dates have been updated for risks SR01, SR02, SR06, SR09, SR14, SR26, SR27, SR28 and SR29.
  - New control measures added for risks SR01, SR04, SR05, SR12, SR20, SR27, SR28 and SR29.
  - The residual and target risk scored for risk SR04 has reduced.
  - Three of the Strategic Risks are red. Of these, risks SR11 and SR29 are above the Council's risk appetite.



**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

No direct impact arising from this report, which provides an updated copy of the authority's Strategic Risk Register.

**LEGAL IMPLICATIONS**

No direct legal implications arising from this report.

**FINANCIAL IMPLICATIONS**

No direct financial implications arising from this report.

**OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

No direct resource implications arising from this report.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has contributed to this report in his role as Chief Officer Resources, including responsibility for Internal Audit.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

N/A

**Contact Officer:** Claire Dubelbeis, Projects and Performance Manager

**Telephone:** 01524 582505

**Email:** CDubelbeis@lancaster.gov.uk

**Ref:** N/A

| Risk No. | Risk and Owner   | Risk Description  | Residual Risk Score (impact x likelihood) | Risk Category | Existing Control Measure                           | Existing Control Measure Description  | Target Risk Level (impact x likelihood) | Action Plan Title                              | Action Plan Description   | Action Plan Owners                            | Action Plan Due Date | Date Last Reviewed | Review Comment   |
|----------|--|---|---|---------------|--|---|---|--|---|---|----------------------|--------------------|--|
| 1        | SR01 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.<br><br>Mark Davies<br>Paul Thompson | Central Government funding and/or revenues collected are insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.<br><br>Link to Council Plan 24-27: 4.1 Value for Money | 4 (2x2)                                   | Financial     | Officer/Member Working Groups                      | Capital Assurance Group (CAG) and Financial Resilience Group (FRG)  | 2 (2x1)                                 | Outcomes Based Resourcing                      | Review of existing budgets to identify areas for realignment/ refocusing or cessation to deliver efficiencies but ensuring that Services remain aligned with the Councils Priorities.   | Mark Davies<br>Claire Dubelbeis<br>Alex Kinch | 31/12/2025           | 03/02/2025         | Action closed as it is now a control measure. Further action has the date extended until the end of 2025. Claire D added as action owner, for monitoring purposes. |
|          |  |   |   |               | Council Strategies                                 | Outcome Based Resourcing (OBR), Investment Strategy, Reserves Strategy and Medium Term Financial Strategy   |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Monthly income monitoring by applicable services   | Monthly income monitoring by applicable services  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Quarterly reporting                                | Formal quarterly reporting to Cabinet and Budget and Performance Panel  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Commercialisation                                  | Development of other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services. |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Business Plans for Investments                     | Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation.  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Fees and Charges Income Monitoring                 | Regular monitoring and forecasting by services of all fees and charges. To be undertaken by Heads of Service and Managers.                                      |   |  |   |   |                      |                    |  |
| 2        | SR02 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.<br><br>Mark Davies<br>Paul Thompson                                     | The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.<br><br>Link to Council Plan 24-27: 4.1 Value for Money  | 6 (3x2)                                   | Financial     | Fit for the Future Strategy                        | The Strategy contains a number of principles to achieve Financial Stability.  | 2 (2x1)                                 | Outcomes Based Resourcing / Fit for the Future | Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.<br><br>NOTE: This is also listed as a control measure as the programme is phased so has already delivered some savings with further outcomes and savings to follow. | Mark Davies<br>Claire Dubelbeis<br>Alex Kinch | 31/12/2025           | 03/02/2025         | Action has the date extended until the end of 2025. Claire D added as action owner, for monitoring purposes.   |
|          |  |   |   |               | Budget and Performance Panel                       | Budget and Performance Panel  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Reserves Policy                                    | Reserves Policy   |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Project Managers                                   | Project Managers - suitably skilled PMs assigned to lead strategic projects   |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Programme Managers                                 | Programme Managers in place for specific programmes   |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Programme Delivery Board                           | Programme Delivery Board  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Cabinet  | Cabinet   |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Portfolio Holder                                   | Portfolio Holder  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Outcomes Based Resourcing for 23/24 financial year | Outcomes Based Resourcing for 23/24 financial year  |   |  |   |   |                      |                    |  |
|          |  |   |   |               | Project Delivery Board                             | Project Delivery Board - Consisting of Leadership Team to monitor delivery via quarterly reports and provide support and challenge to each project as required. |   |  |   |   |                      |                    |  |

|            |  |  |         |        |  |   |         |            |   |  |  |
|------------|--|--|---------|--------|--|---|---------|------------|---|--|--|
|            |  |  | 6 (3x2) | People | Projects and Performance Manager   | Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.  | 6 (3x2) |            |   |  |  |
|            |  |  |         |        | Delivering Our Priorities Quarterly Monitoring Reports                         | Delivering Our Priorities Quarterly Monitoring Reports - Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel.               |         |            |   |  |  |
|            |  |  |         |        | Quarterly Cabinet Meetings   | Quarterly Cabinet Meetings - Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance.                           |         |            |   |  |  |
|            |  |  |         |        |  | As part of the Funding the Future Strategy, the Outcomes Based Resourcing exercise is commencing July 2022 to identify revenue savings for 2023/24 and beyond.                            |         |            |   |  |  |
|            |  |  |         |        | Outcomes Based Resourcing / Fit for the Future                                 | Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.   |         |            |   |  |  |
| 3          | SR03 The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver | The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver effective services, projects and council priorities. | 6 (3x2) | People | New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk | New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk  | 6 (3x2) | 22/10/2024 | Risk reviewed on behalf of Alex Kinch. Confirmed no changes since last risk review. |  |  |
|            |  | Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities   |         |        | Annual Appraisal Process   | Annual Appraisal Process embedded   |         |            |   |  |  |
| Alex Kinch |  |  |         |        | Pay and Grading Structure  | Pay and Grading Structure - The new pay and grading structure and job evaluation process ensures that all posts are objectively evaluated and then placed on a new pay and grading scale. |         |            |   |  |  |
|            |  |  |         |        |  | Recent experience suggests that this assisted in attracting applicants with the desired skills and values.  |         |            |   |  |  |

|   |   |  |         |                    |                          |  |         |                |   |   |            |            |   |
|---|---|--|---------|--------------------|--------------------------|--|---------|----------------|---|---|------------|------------|---|
| 4 | SR04 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects. | Future capital investment is dependent on capital receipts from the sale and utilisation of council assets.<br><br>Link to Council Plan 24-27: 4.5 Innovative Public Service | 6 (3x2) | Property Financial | Use of Council Assets    | Capital Strategy Group   | 4 (2x2) | Council Assets | To progress with disposals of council assets as outlined through 22/23 OBR process.                                     | Joanne Wilkinson                            | 31/03/2025 | 17/12/2024 | Paul Thompson removed as risk owner   |
|   |   |  |         |                    | Use of Council Assets    | Ongoing OBR workstream reviewing assets  |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Performance monitoring of leases implemented   |         | Council Assets | Updated Asset Management Strategy to be developed to incorporate property performance, as well as Estates and FM areas. | Paul Mackie<br>Joanne Wilkinson<br>Dan Wood | 31/03/2026 | 21/01/2025 | Continued progress - condition surveys completed and information analysed and presented to OBR assets and Cabinet. Resultant agreed programme of works now fed through 10 year budget programme. Additional resources identified to assist delivery of work. Disposal of assets being considered on a case by case basis when reasonable offers are being made and progress against disposals agreed continues. The Asset OBR group is meeting regularly. Commercial Property Manager recruited to. |
|   |   |  |         |                    | Use of Council Assets    | Budget Monitoring  |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council assets    | Implemented active asset management inc. financial modelling for stock rationalisation.                                |         | Council Assets | Climate Strategy for Housing and Property to be developed   | Paul Mackie<br>Joanne Wilkinson             | 01/04/2025 |            |   |
|   |   |  |         |                    | Use of Council assets    | Appointed Eckersleys to support the council in asset disposal.   |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Stock Condition Surveys for property group completed   |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Asset Management Strategy in place,  |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Officer energy fit for the future group completed recommendations and report produced presented at OBR Assets          |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Commercial Assets | Commercial Manager post recruited to.  |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Commercial Assets | Estates Improvement Plan developed   |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | 10 year capital programme developed and fed through the budget   |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Energy Officer to be recruited to support reductions in utility costs.   |         |                |   |   |            |            |   |
|   |   |  |         |                    | Use of Council Assets    | Project Officer to be recruited to - to support delivery of increased capital / revenue projects for next three years. |         |                |   |   |            |            |   |

Joanne Wilkinson ~~Paul Thompson~~

|                                  |  |  |         |           |   |   |         |                      |   |                                |            |            |                                |  |  |
|----------------------------------|--|--|---------|-----------|---|---|---------|----------------------|---|--------------------------------|------------|------------|--------------------------------|--|--|
| 5                                | SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies | Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies. | 6 (3x2) | Financial | Resourcing the emergency response function  | The Council continues to adequately resource its emergency planning function, including maintaining its team of out of appropriately trained emergency response officers.   | 6 (3x2) | Community Resilience | The Council supports community resilience through CEPGs and FLAG groups etc. The local CEPG own and update their own plans in liaison with the Resilience Officer                                 | Alex Kinch                     | 31/03/2025 | 29/01/2025 | Alex provided the update made. |  |  |
| Kirstie Banks-Lyon<br>Alex Kinch |  |  |         |           | District emergency  | Lancaster District Emergency Plan and LRF (Lancashire Resilience Forum) plans that cover site or incident specific risks, including for example: an incident at Heysham Power Station, or a flooding/weather event. |         | Adaptation Schemes   | The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence). This will be undertaken through the emerging Our Future Coast programme. | Paul Blakeley<br>Jonathan Noad | 31/03/2025 |            |                                |  |  |
|                                  |  |  |         |           | Business Continuity Plans   | Business Continuity Plans   |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | National Emergency (such as a pandemic)   | LRF plans.  |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | Financial Planning  | Financial Planning - Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.   |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | Business Resilience   | Business Resilience - The Council continues to invest in resilience measures eg technology to facilitate remote working.  |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | Partnerships  | Partnerships - The Council continues to allocate resource to developing its key partnerships LRF, CSP (Community Safety Partnership) and local resilience partners.   |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | County wide emergency (such as widespread loss of power and extreme weather events) | The LERP (Lancashire Emergency Response Plan) and plans as required from box 2 and box 3 plans, held in resilience direct.  |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | Financial Planning  | Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.  |         |                      |   |                                |            |            |                                |  |  |
|                                  |  |  |         |           | Corporate Resilience Exercises - January 2025                                       | The LGA held two corporate resilience exercises with managers w/c 20th January 25.  |         |                      |   |                                |            |            |                                |  |  |

|   |   |  |         |   |  |         |   |  |  |                                     |                   |   |
|---|---|--|---------|---|--|---------|---|--|--|-------------------------------------|-------------------|---|
| 6 | <p>SR06 The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030.</p> <p>Mark Cassidy</p> | <p>In January 2019 the Council declared a 'climate change emergency' and have now sought endorsement of an approach to reduce the Council's direct Co2 emissions to 'net zero' by 2030. Whilst an action plan is in place, costs associated with implementing the actions are considerable and are constantly under review.</p> <p>Link to Council Plan 24-27: 1.1 Carbon Zero</p> | 8 (4x2) | <p>Strategy Project / Programme</p> <p>Delivery plan in place</p> <p>Peoples Jury</p> <p>Development of the Local Area Energy Plan and the emergence of the Climate and Nature Strategy</p> | <p>Climate Change Action Plan - the Climate and Nature Strategy will supersede this</p> <p>Peoples Jury - The Council considers the recommendations of the Peoples Jury and builds recs that can be delivered directly by the Council into its plans</p> <p>Local Area Energy Plan (LAEP )has been adopted by Cabinet (Oct 2024) and it set out the district's most cost-effective pathways to net zero.</p> <p>Climate and Nature Strategy (CaNS) is funded by a UKSPF award and will be the Council's Climate and Nature Action Plan, bringing together all climate and biodiversity workstreams under one document with realistic ambitions that align with the Council Plan.</p> | 8 (4x2) | <p>(i) Climate and Nature Strategy</p> <p>(ii) Local Area Energy Plan</p> | <p>The Council continues to work on the delivery of its CaNS. This is a vision for a climate-resilient district. It will be co-produced by the Council and other stakeholders. Details here: <a href="https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates">https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates</a></p> <p>LAEP sets out a long-term vision for decarbonising the district by 2040 and looks beyond the council's own 2030 target for its direct activities. The LAEP sets out the changes required to transition the Lancaster district energy system and built environment to net zero while also addressing fuel poverty. It details what changes are required, where, when and by whom. Since the last review the LAEP has been formally adopted by this Council. Next stages for implementation are being considered alongside potential for UKSPF assistance.</p> | <p>Mark Davies</p> <p>Mark Cassidy</p> | <p>31/03/2025</p> <p>31/03/2025</p> | <p>24/02/2025</p> | <p>Updated information supplied by Mark Cassidy. Including revisions to control measures and action plans.</p> <p>The Council continues to make good progress across a number of climate workstreams, including:</p> <p>(i) The Local Area Energy Plan (LAEP) was adopted at October Cabinet. Officers are now tasked with workign up feasibility proposals and reporting back to Cabinet in due course. Discussions regarding the potential for UKSPF assistance regarding implementation of the LAEP are ongoing.</p> <p>(ii) The District Climate and Nature Strategy (CaNS) public events have been completed and the CaNS continues to be prepared. The date for outturn has moved back to End-May 2025 due to some consultancy delay.</p> <p>(iii) Detailed delivery plans (and relevant planning applications and other consent-based regime submission) are being advanced for the successful Salix-funded decarbonisation for The Storey, Williamson Park and CityLab.</p> <p>(iv) The Council's proposed solar PV scheme at Burrow Beck is in delivery phase. A Section 73 (amendment) application has been submitted seeking to amend detail including the angle of panels and the provision of drainage swales.</p> <p>(v) It has been agreed with the Climate Action Portfolio Holder that an Annual Report regarding the Council's progress to Net Zero by 2030 for its own (Scope 1) activities will be produce at the end of every calendar year. The Cabinet meeting of 2 December 2025 has already been reserved for the first Annual Report.</p> |
|---|---|--|---------|---|--|---------|---|--|--|-------------------------------------|-------------------|---|

|   |  |  |         |                     |   |  |         |   |   |   |  |            |  |
|---|--|--|---------|---------------------|---|--|---------|---|---|---|--|------------|--|
| 7 | SR07 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes. | On the 29 January 2019, Full Council approved the Council's strategic priorities for the purpose of informing budget decisions for 2020-21 and future years.<br><br>Link to Council Plan 24-27: Whole document.  | 6 (3x2) | Strategy            | Carbon Zero +<br><br>Medium Term Financial Strategy (MTFS)<br><br>Programme Management<br><br>Corporate Plan / Plan 2030  | More details can be found on our website: <a href="https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates">https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates</a><br><br>MTFS - in place to set out how the council proposes to manage its financial resources in line with corporate priorities.<br><br>Programme Management - in place to ensure strategy is followed and monitored on a regular basis.<br><br>Corporate Plan / Plan 2030 - Updated in December 2021 to lay out the councils vision.   | 4 (2x2) | Local Development Plan                        | Local Development Plan  | Mark Davies   | 30/09/2024                                     | 06/01/2025 | This risk has been reviewed and remains unchanged.   |
|   | Mark Davies<br>Luke Gorst<br>Paul Thompson   |  |         |                     |   |  |         |   |   |   |  |            |  |
| 8 | SR08 The Council fails to deliver its key projects due to the lack of capacity and resources.  | The Council has a number of key projects (Canal Quarter, Eden Project Morecambe, OBR, My Mainway, Heysham Gateway, Frontierland etc) all of which have detailed strategies for implementation. In order to deliver these key projects it is essential they are properly prioritised and resourced.<br><br>Link to Council Plan 24-27: 4.5 Innovative Public Services | 6 (3x2) | People<br>Financial | Local Plan<br>Medium Term Financial Strategy (MTFS)<br>Investment Strategy<br>Capital Programme<br>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment<br><br>Collaborative Working<br>Partnership Working<br>Capital Programme<br>Funding the Future Strategy | Local Plan<br>Medium Term Financial Strategy (MTFS)<br>Investment Strategy<br>Capital Programme<br>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.<br><br>We work in collaboration with other stakeholders. For example, on the Eden Project we are working closely with the County Council.<br>Many of our projects involve working in collaboration with other partners. For example, working with the County Council for the Eden Project Morecambe.<br>Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.<br>Funding the Future Strategy | 3 (3x1) | Local Plan<br><br>Reserves<br><br>People Plan | Local Plan, due to be adopted in Jan 27<br><br>Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic planning strategies.<br><br>3-Year People Plan in place and being delivered, which includes emphasis on upskilling and staff development, as well as initiative to support recruitment and retention. | Mark Cassidy<br>Mark Davies<br><br>Mark Davies<br>Paul Thompson<br><br>Alex Kinch | 01/01/2027<br><br>31/03/2025<br><br>31/03/2026 | 15/07/2024 | Updates made on consultation with Mark D and Mark C. |
|   | Mark Davies  |  |         |                     |   |  |         |   |   |   |  |            |  |

|    |  |   |         |                       |  |  |         |            |   |
|----|--|---|---------|-----------------------|--|--|---------|------------|---|
| 10 | <p>SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.</p> <p>Mark Davies</p>                       | <p>SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.</p> <p>Link to Council Plan 24-27: 4.1 Value for money</p>  | 6 (3x2) | Strategy              | <p>Continued monitoring and horizon scanning of Government policy</p> <p>Clear and focused Council strategy to maximise alignment with Government policy and resourcing</p> <p>Strategic Plans</p>   | <p>Continued monitoring and horizon scanning of Government policy</p> <p>Clear and focused Council strategy to maximise alignment with Government policy and resourcing</p> <p>Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy</p>  | 6 (3x2) | 15/07/2024 | Reviewed with Mark D, this remains as-is.                     |
| 11 | <p>SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.</p> <p>Mark Davies</p> | <p>SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.</p> <p>This risk is outside of the control of the Council. It can not be fully mitigated against but should still be recorded on the strategic risk register.</p> | 9 (3x3) | Strategy<br>Financial | <p>Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues</p> <p>Strategic responsiveness through continued risk management review</p> <p>Agility and Resilience</p> <p>Strategic risk management approach</p> | <p>Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues</p> <p>Strategic responsiveness through continued risk management review</p> <p>Agility and Resilience - Continue to develop agility and resilience across the organisation</p> <p>Strategic risk management approach</p>  | 9 (3x3) | 15/07/2024 | Reviewed in conjunction with Mark D. This risk remains as-is. |
| 12 | <p>SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.</p> <p>Mark Davies<br/>Paul Thompson</p>             | <p>SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.</p> <p>Link to Council Plan 24-27: 4.5 Innovative Public Service</p>  | 3 (3x1) | Strategy<br>Financial | <p>Budget Development</p> <p>OBR / Fit for the Future</p>  | <p>Comprehensive, robust and transparent approach to budget development and service delivery.</p> <p>Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.</p>  | 3 (3x1) | 03/02/2025 | Action closed as it is now a control measure.                 |
| 13 | <p>SR13 The Council's reputation is damaged through its own actions or actions of others in the District</p> <p>Mark Davies</p>  | <p>SR13 The Council's reputation is damaged through its own actions or actions of others in the District.</p> <p>Link to Council Plan 24-27: 3.4 Community Engagement</p>   | 3 (3x1) | Strategy<br>People    | <p>Communications</p> <p>Strategic Management of Activities</p> <p>Delivery of Services</p> <p>Strategic communication</p>   | <p>Pro-active communications and transparency</p> <p>Strategic management of all Council activities to ensure continued high reputation</p> <p>Delivery of Services - Continue to manage and deliver services in a way that supports the authority's reputation as a Co-operative, Kind and Responsible Council.</p> <p>Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation</p> | 3 (3x1) | 19/07/2024 | Risk reviewed and no changes made                             |



|    |  |  |         |                      |  |  |         |                               |  |                              |            |            |  |
|----|--|--|---------|----------------------|--|--|---------|-------------------------------|--|------------------------------|------------|------------|--|
| 14 | SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.<br><br>Mark Davies<br>Paul Thompson   | SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.<br><br>Link to Council Plan 24-27: 4.1 Value for money  | 6 (3x2) | Operations Financial | Budget and Performance Panel                                 | Budget and Performance Panel   | 6 (3x2) | Move to sustainable solutions | Minimise exposure to cost spikes such as energy by moving to sustainable solutions independent of external pressures                     | Mark Davies<br>Paul Thompson | 31/12/2024 | 07/02/2025 | The s151 Officer is required to review its minimum level of unallocated reserves annually. Over recent years this has been increased to £5M based on a number of scenario's and is deemed to be appropriate to enable the Council to operate a level of service in the short term whilst alternative funding or other corrective action undertaken |
|    |  |  |         |                      | Reserves Policy  | Reserves Policy  |         |                               |  |                              |            |            |  |
|    |  |  |         |                      | Continue financial forecasting                               | Continue financial forecasting and scenario planning e.g. for energy costs   |         | Level of Reserves             | Ensure that the Council holds an adequate level of reserves to ensure that it is able to mitigate variations in the short to medium term | Paul Thompson                | 31/03/2025 |            |  |
| 15 | SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.<br><br>Mark Davies<br>Jonathan Noad  | SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.<br><br>Link to Council Plan 24-27: 4.5 Innovative Public Services; 4.1 Value for money                                     | 4 (2x2) | Strategy             | Asset Management Plan  | Asset Management Plan  | 2 (1x2) | Asset Management Plan         | Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.                       | Mark Davies                  | 27/09/2024 | 12/07/2024 | Risk reviewed on behalf of Jonathan Noad. Confirmed no changes since last risk review.   |
|    |  |  |         |                      | Continuous review of assets and infrastructure               | Continuous review of assets and infrastructure   |         |                               |  |                              |            |            |  |
| 16 | SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.<br><br>Mark Davies<br>Jonathan Noad | SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.<br><br>Link to Council Plan 24-27: 4.5 Innovative Public Services | 6 (2x3) | Strategy             | Corporate Plan   | Corporate Plan   | 3 (1x3) | CPC review and action plan.   | CPC review and action plan.  | Alex Kinch                   | 28/02/2025 | 22/10/2024 | New action added. Risk review carried out on behalf of Alex Kinch.   |
|    |  |  |         |                      | Policy Framework   | Policy Framework   |         |                               |  |                              |            |            |  |
|    |  |  |         |                      | Continuous review of strategy and policy                     | Continuous review of strategy and policy, and alignment with service delivery.   |         |                               |  |                              |            |            |  |
| 17 | SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.<br><br>Mark Davies<br>Luke Gorst  | SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.<br><br>Link to Council Plan 24-27: 4.6 Openness   | 6 (2x3) | Legal                | Corporate Governance   | Corporate Governance   | 6 (2x3) |                               |  |                              |            | 06/01/2025 | The risk has been reviewed and remains unchanged, other than the word 'recently' being deleted from on of the control measures.  |
|    |  |  |         |                      | Continuous review of governance processes                    | Continuous review of governance processes to ensure they are fit for purpose   |         |                               |  |                              |            |            |  |
|    |  |  |         |                      | Annual Governance Statement and Code of Corporate Governance | The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.<br><br>The Council has reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). |         |                               |  |                              |            |            |  |
|    |  |  |         |                      | Training and development                                     | Ongoing training and development to ensure staff and members are equipped to follow governance requirements.   |         |                               |  |                              |            |            |  |

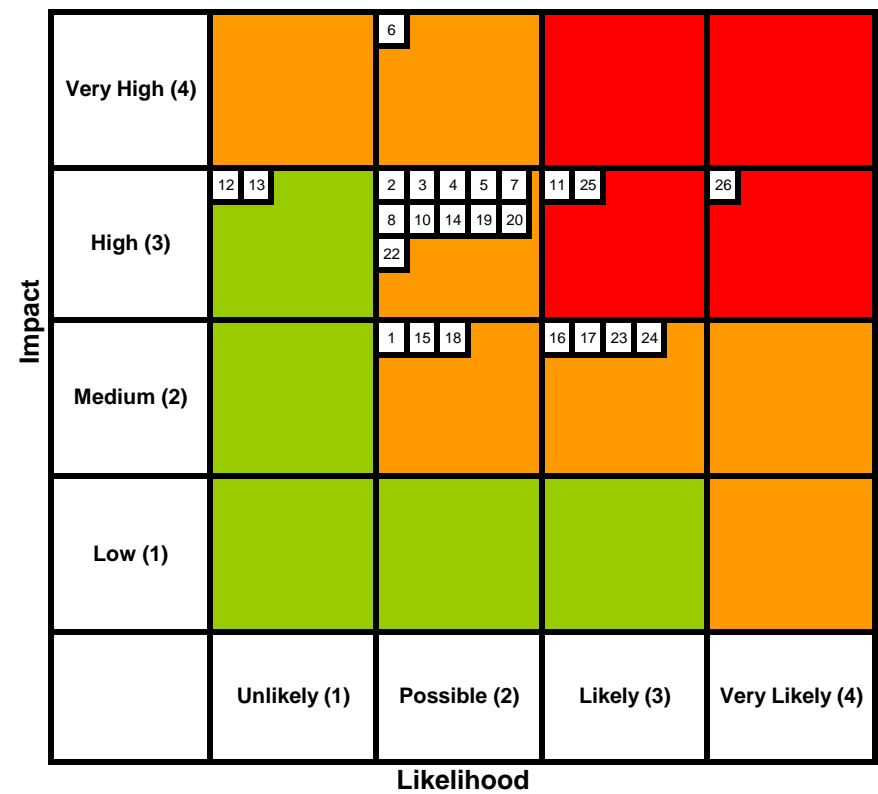
|    |  |  |         |                     |  |  |         |   |   |                                 |            |            |   |
|----|--|--|---------|---------------------|--|--|---------|---|---|---------------------------------|------------|------------|---|
| 18 | SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.<br><br>Mark Davies<br>Jonathan Noad | SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.<br><br>Link to Council Plan 24-27: 2.4 Investment and Regeneration  | 4 (2x2) | Project / Programme | Programme Management                       | Programme Management   | 2 (1x2) | Development of a Canal Quarter Masterplan | Development of a Canal Quarter Masterplan that sets out a route to successful regeneration of the area in line with local needs and the Council's priorities. This now needs to be updated to preparing a business case for investment options to deliver adopted masterplan. | Jonathan Noad                   | 31/03/2025 | 12/07/2024 | Action plan updated on behalf of Jonathan Noad. The Canal Quarter Masterplan was adopted in Summer 2023. Focus now shifts to delivery but this is limited by wider Council financial pressures and availability for grant funding to deliver. |
| 19 | SR20 Non compliance with Building Safety Executive for LCC owned high-rise buildings<br><br>Dennis Graham<br>Paul Mackie<br>Joanne Wilkinson             | LCC has three high rise buildings which now fall under the Building Safety Act 2022, and require registration with the Building Safety Executive (BSE). There are numerous risks around non-compliance.<br><br>Link to Council Plan 24-27: 3.1 Access to Quality Housing | 6 (3x2) | Property Financial  | Registration with BSE for high rise blocks | Fortnightly senior housing management meetings updating on risks and plans around building safety review.                            | 2 (2x1) | Non-compliance with BSE                   | Improved information to be updated on website   | Paul Mackie<br>Joanne Wilkinson | 30/09/2025 | 21/01/2025 | Limited change - safety case files not yet called in. Engagement strategy for high rise blocks approved. Cladding survey on Park House commissioned - results expected mid-Feb.   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Fire safety works being completed.   |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Fire door audits being undertaken  |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Monthly Compliance Steering Group comprising staff from across the Housing Service meet to discuss issues and tasks that are needed. |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Tenants Voice group established  |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Registration of blocks with BSE complete   |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | On-going and regular campaigns on fire safety undertaken with residents.   |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE for high rise blocks | Cabinet (Feb 24) approved decommissioning Bridge House - Housing team now progressing decision.                                      |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Registration with BSE of high rise blocks  | Building Safety Case files prepared ready for call in.   |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Non compliance with BSE                    | Commissioned external cladding survey for Park House - results due mid Feb.  |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Non compliance with BSE                    | Information updated on improved intranet pages   |         |   |   |                                 |            |            |   |
|    |  |  |         |                     | Non-compliance with BSE                    | Resident engagement strategy for building safety approved  |         |   |   |                                 |            |            |   |

|                  |  |   |         |                    |  |   |             |   |                               |            |            |   |
|------------------|--|---|---------|--------------------|--|---|-------------|---|-------------------------------|------------|------------|---|
| 20               | SR21 Non compliance with Regulator of Social Housing Standards | The Social Housing White Paper and subsequent amendments through to the introduction of the Social Housing Regulation Act have highlighted a significant shift in requirements for social housing providers. This will be the biggest shift in a generation, with changes to standards and expectations. Failure to keep up with changes could result in unlimited fines / DLUHC, Regulator or Ombudsman intervention / bad publicity. However clearly the Regulator has laid out that it is unlikely that Councils will meet the required new standards fully and expect to work with landlords to improve performance against new requirements. | 6 (3x2) | Property Financial | Social Housing Regulation  | Attendance at benchmarking groups with the Regulator / Ombudsman to stay abreast of updates / developments / best practice / learning | 2 (2x1)     |   |                               |            | 21/01/2025 | Limited change. Continue to keep abreast of what's going on through the sector.   |
| Dennis Graham    |  | Social Housing Regulation   |         |                    | Action planning within the service occurs in preparation for changes                                 |   |             |   |                               |            |            |   |
| Pete Linsley     |  | Social Housing Regulation   |         |                    | Quarterly reports available for portfolio holder outlining changes in the previous quarter produced. |   |             |   |                               |            |            |   |
| Joanne Wilkinson |  | Social Housing Regulation   |         |                    | Service Improvement Plan well established  |   |             |   |                               |            |            |   |
|                  |  | Social Housing Regulation   |         |                    | Annual self assessment undertaken against current standards  |   |             |   |                               |            |            |   |
|                  |  | Social Housing Regulation   |         |                    | Member advisory group for continued / wider input into the housing service established.              |   |             |   |                               |            |            |   |
|                  |  | Social Housing Regulation   |         |                    | Various external audits utilised e.g. TPAS, Resolve, Pennington Choices                              |   |             |   |                               |            |            |   |
|                  |  | Social Housing Regulation   |         |                    | Breaches Policy in place   |   |             |   |                               |            |            |   |
|                  | Link to Council Plan 24-27: 3.1 Access to Quality Housing      |   |         |                    |  |   |             |   |                               |            |            |   |
| 22               | SR24 ICT Data Centre   | Data Centre is dated and improvements needed to satisfy future demand.  | 6 (3x2) | Technology         | Air conditioning in place to keep the data centre at optimal temperature                             | 2 (2x1)   | Data Centre | In progress, business case due for completion by March 2024 | Nick Goulden<br>Paul Thompson | 31/03/2025 | 07/02/2025 | Contractors have been engaged to develop scope and cost the provision of a liquid cooled data centre located at Salt Ayre. The expectation is that this will be concluded February 2025 with a full business case being considered by CAG & Cabinet shortly after. Provision has been made within the Councils Development Pool |
|                  | Paul Thompson  | Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities  |         |                    | Back up Date Centre at SALC  |   |             |   |                               |            |            |   |
|                  |  |   |         |                    | Regular fire safety servicing carried out  |   |             |   |                               |            |            |   |
|                  |  |   |         |                    | Water ingress alerts      To alert all ICT senior managers to any water detected in data centre      |   |             |   |                               |            |            |   |

|    |   |   |         |                       |  |  |         |   |  |                                      |            |            |  |
|----|---|---|---------|-----------------------|--|--|---------|---|--|--------------------------------------|------------|------------|--|
| 23 | SR26 - Increasing costs of temporary accommodation for the homeless | In 23-24 we are forecasting the Council will be required to contribute an additional £500k towards the cost of B+B accommodation for homeless residents. This is expected to continue into 24-25. Increase in costs is linked to increasing homelessness, reduced subsidy recovery from HB and reduced grant availability. Costs of accommodation also increasing and increase in larger families needing to be accommodated for longer. The subsidy can be met from within budgets this year (23-24), however this will need to be factored into future budgets moving forward. Funding temporary accommodation for those who need it is a stat requirement. | 6 (2x3) | Financial             | Increasing homeless temporary accommodation costs                          | Budget reviews ongoing with service accountant.  | 2 (1x2) | Increasing homeless temporary accommodation costs | Exploring leasing arrangements with private landlords to seek to reduce bed and breakfast costs          | Sharon Parkinson<br>Joanne Wilkinson | 06/06/2025 | 04/02/2025 | Positive trajectory being seen with reduced costs of B+B provision. Some additional winter pressure funding received from MHCLG. Monthly monitoring happening. MIAA audit completed and team to work through action plan recommendations. Project Officer starting in Feb - which should pick up some additional capacity. |
|    | Joanne Wilkinson  | Link to Council Plan 24-27: 3.1 Access to Quality Housing   |         |                       | Increasing homeless temporary accommodation costs                          | Some access to grant funding to off-set costs (although limited and unpredictable).                              |         | Increasing homeless temporary accommodation costs | Conversion of former CAB building on King Street to 4 x units of temporary accommodation.                | Sharon Parkinson<br>Joanne Wilkinson | 31/03/2026 |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | Bed and breakfast plan developed for DLUHC   |         | Increasing homeless temporary accommodation costs | Progress actions from internal audit.  | Sharon Parkinson                     | 31/03/2026 |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | Regular case work management in team of cases in bed and breakfast   |         |   |  |                                      |            |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | All B+B placements passed by manager for approval  |         |   |  |                                      |            |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | New Homelessness Strategy approved by Cabinet Oct 2023   |         |   |  |                                      |            |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | Housing Taskforce established - clear focus on how the private rented sector can support reduction in B+B usage. |         |   |  |                                      |            |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | Cabinet briefing provided on homeless service and bed and breakfast costs  |         |   |  |                                      |            |            |  |
|    |   |   |         |                       | Increasing homeless temporary accommodation costs                          | Monthly spend / income monitoring now in place.  |         |   |  |                                      |            |            |  |
| 24 | SR27 - Waste Strategy   | Increased revenue cost burden to the authority and failure to deliver in line with milestones set out by government (31st March 2026).  | 6 (2x3) | Strategy<br>Financial | Fit for Future Waste Group and Waste Implementation Officer Working Group. | Regular meeting with officers and members taking place to ensure milestones are met.                             | 2 (1x2) | Waste Strategy Implementation                     | Officer working groups and relevant sub groups have started in order to develop a project delivery plan. | Will Griffith                        | 31/03/2026 | 05/02/2025 | Control Measures, Actions and Target score added to risk. Officer Working Groups set up and meeting weekly. Currently involving officers from legal, procurement, communications, environmental protection, waste, finance and customer services.  |
|    | Will Griffith   | Link to Council Plan 24-27: 1.5 Reduced Waste   |         |                       |  |  |         |   |  |                                      |            |            |  |

|                  |   |  |          |                     |   |  |         |   |   |                  |            |            |   |
|------------------|---|--|----------|---------------------|---|--|---------|---|---|------------------|------------|------------|---|
| 25               | SR28 Delivery of Mainway Project  | Delivery of the Mainway project is not executed as planned.  | 9 (3x3)  | Project / Programme | Mainway project   | Reports completed on a quarterly basis to update on project progress at a corporate level.   | 2 (1x2) | Mainway project   | Procurement of next stages to be completed                | Joanne Wilkinson | 29/09/2025 | 21/01/2025 | Since first review - planning permission for school site has been granted. Meeting of the Board has not progressed as much as would have liked but meetings now scheduled from February onwards. Discussions with Homes England re: funding continue - although at present there is no clear prospect of funding due to current HE funding constraints - this issue has been raised at a meeting with Cat Smith. Paul Thompson commissioning MIAA to develop project business plan. |
| Joanne Wilkinson | Potential Consequences - Reputational risk and loss of trust from residents, risk around finances and health and safety implications. Delays could also put pressure on staff resources.<br><br>This risk is on the Housing Risk Register as "H02 Delivery of Mainway Project" (9th Dec 2024) |  |          | Mianway project     | Fortnightly project team meetings reviewing progress.   |  |         |   |   |                  |            |            |   |
|                  |   |  |          | Mainway project     | Additional resource put into the project by way of Andrew Whittaker moving into a dedicated Lancaster City Council Development Manager post to support the success of this over the course of 23/24 | Mainway project  |         | Lune and Derby Houses to be disposed of   | Joanne Wilkinson  | 30/04/2025       |            |            |   |
|                  |   |  |          |                     |   |  |         |   |   |                  |            |            |   |
|                  |   |  |          | Mainway project     | Demolition of school site completed   | Mainway project  |         | Sub-groups for governance structure to be established.  | Joanne Wilkinson  | 01/05/2025       |            |            |   |
|                  |   |  |          | Mainway project     | Regular meetings with Homes England taking place to keep them abreast of developments   | Mainway project  |         | Business Plan to be comissioned through MIAA via Paul Thompson  | Joanne Wilkinson  | 01/05/2025       |            |            |   |
|                  |   |  |          | Mainway project     | Financial model put forward to Link   |  |         |   |   |                  |            |            |   |
|                  |   |  |          | Mainway project     | Planning application approved for Phase 1a and b  | Mainway project  |         | Masterplan to be completed  | Joanne Wilkinson  | 27/06/2025       | 19/12/2024 |            |   |
|                  |   |  |          | Mainway project     | Various and ongoing engagement events / information sessions with residents and councillors   |  |         |   |   |                  |            |            |   |
|                  |   |  |          | Mainway project     | New governance structure with Project Board, Scrutiny Group and sub-groups established.   |  |         |   |   |                  |            |            |   |
|                  |   |  |          | Mainway project     | MIAA audit review completed   |  |         |   |   |                  |            |            |   |
| 26               | SR29 - Local Government Reorganisation  | In December 2024 the government told local authorities across the UK that Local Government Reorganisation (LGR) will be brought in for geographical areas who have not yet participated. The aim being to create Council's with a population of 500k, or more, in most cases to provide efficiency benefits in the delivery of services. In the short term, whilst these changes are being implemented, this can lead to a number of risks to the delivery of local services. The main concerns being delivering the Ambitions as stated in the Council Plan 24-27 and the risk of staff leaving the Council causing problems in the delivery of services. | 12 (3x4) | Strategy            | Regular discussions at LT and with Members  | Regular discussions at LT and with Members, involving other nearby Council's as appropriate. | 4 (1x4) | LGR Steering Group  | Set up LGR steering group for Cabinet and senior officers | Mark Davies      | 31/03/2025 | 12/02/2025 | Initial risk review run, in order to trigger future automatic reminders within the Grace system.  |
| Mark Davies      |   |  |          |                     |   | Liaise with Management from nearby Lancashire Authorities                                    |         | Liaise with Management from nearby Lancashire Authorities to understand their thinking and positions. | Mark Davies   | 31/03/2025       |            |            |   |
|                  |   |  |          |                     |   |  |         |   |   |                  |            |            |   |

Strategic Risk Register - Risk Map - 26.02.25



NOTE 1: All risks have been reviewed in the run up to the production of the report on 26th February 2025.  
NOTE 2: Only risks which are unrestricted are shown.  
NOTE 3: The numbers shown on the risk map relate to those on the next page in the first column, not the Strategic Risk (SR) numbers.

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

Document is Restricted

**AUDIT COMMITTEE****19 March 2025****Internal Audit Progress Report****Report of Head of Internal Audit****PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the Internal Audit plan for 2024/25.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

**This report is public**

**RECOMMENDATIONS**

**(1) That the latest monitoring position in relation to the 2024/25 audit plan be noted.**

**1.0 Audit Plan monitoring**

1.1 An Internal Audit Plan is agreed on an annual basis and is continually reviewed during the year for appropriateness.

1.2 As part of the service provision MIAA include a separate progress report to each Audit Committee detailing progress against the agreed plans and highlighting key messages for Audit Committee attention.

1.3 Management Team and Service Managers continue to be consulted in delivering both the audit plan and the Annual Governance Statement action plan.

**2.0 Options and Options Analysis (including risk assessment)**

2.1 As this report is for noting there are no other options presented.

**3.0 Conclusion**

3.1 The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable

**FINANCIAL IMPLICATIONS**

None directly arising from this report



**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments

**LEGAL IMPLICATIONS**

None directly arising from this report

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Internal Audit Plan 2023/24

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

Internal Audit Plan 2024/25

[Agenda for Audit Committee 20 March 2024 6pm](#)

MIAA Internal Audit Progress Reports

[Agenda for Audit Committee on Wednesday 22 Nov 2023 6pm - Lancaster City Council](#)

[Agenda for Audit Committee 20 March 2024 6pm](#)

[Agenda for Audit Committee 22 May 2024 6pm](#)

[Agenda for Audit Committee 27 November 2024](#)

[Agenda for Audit Committee 30 Jan 2025](#)

**Contact Officer:** Louise Cobain

**Telephone:** 07795 564916

**E-mail:** Louise.Cobain@miaa.nhs.uk

# Internal Audit Progress Report

## Audit Committee (19<sup>th</sup> March 2025)

Lancaster City Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Key Areas and Actions to be Delivered

Appendix D: Follow-up of Previous Internal Audit Recommendations

Appendix E: Assurance Definitions and Risk Classifications

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

## Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plans for 2023/24 and 2024/25 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period November 2024 to March 2025.

### 3 Executive Summary

Since the last meeting of the Audit Committee, there has been the focus on the following areas:

#### Audit Reviews

The following reviews have been finalised:

- Festival and Charter Markets (Moderate)
- Revenues and Benefits – Housing Benefit Overpayments (Moderate)
- Homelessness (Limited)
- Appraisals (Moderate)
- Heritage Action Zone Expenditure Assurance (Chief Internal Audit Declaration)

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The remaining 2024/25 audit reviews are in progress as follows:

- Environmental Enforcement – Fly Tipping (fieldwork)
- IT Asset Management (fieldwork)

- Key Financial Controls (fieldwork)
- Risk Management (fieldwork)
- Social Housing Standards (fieldwork)

## Follow Ups

A summary of the current status of all follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:

There has been progress with the implementation of recommendations since the previous Audit Committee in November 2024. 18 recommendations have been completed since November 2024, 0 recommendations have been superseded, with 75 actions either in progress or not yet due. There are 14 actions which are overdue, and we are awaiting updates from management on progress.

## Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. We have undertaken a mid-year review of your Internal Audit Plan in conjunction with management and no changes are currently proposed.

## Public Sector Internal Audit Standards

From April 2025 MIAA will be required to comply with the Global Internal Audit Standards and the UK Public Sector Application Note: *Global Internal Audit Standards in the UK Public Sector* (collectively referred to as GIAS here). These documents replace the Public Sector Internal Audit Standards (PSIAS).

To support our readiness to adopt the GIAS from April 2025 our Associate Director – Continuous Improvement has undertaken a baseline assessment of our current compliance levels with the GIAS.

Given MIAA's current full compliance with PSIAS we comply with the majority of GIAS requirements. We will ensure full compliance with all GIAS requirements from April 2025.

## Added Value

### Briefings

#### Our latest briefing

- [24/25 MIAA Insight - EU Artificial Intelligence Act and its wider implications](#)
- [24/25 MIAA Insight - Conflicts of Interest Checklist \(Local Authorities\)](#)







### Events






- [The Power of Collaboration \(26th March 2025\)](#): This online Masterclass will build on the insights from the Messenger and Darzi review, and eagerly anticipating the release of the 10-year health plan. Additionally, the social care workforce plan emphasises transformation and a unified workforce approach, underscoring the necessity for partnership and collaboration in our operations

## Appendix A: Contract Performance


The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery of your Head of Internal Audit Opinion for 2024/25.

| HOIA Opinion Area                                    | TOR Agreed  | Status    | Assurance Level | Audit Committee Reporting |
|--|---|-----------|-----------------|---------------------------|
| <b>Core Reviews</b>                                  |   |           |                 |                           |
| Revenues and Benefits – Housing Benefit Overpayments |    | Complete  | Moderate        | March 2025                |
| Key Financial Controls                               |    | Fieldwork |                 |                           |
| Risk Management                                      | Draft   | Fieldwork |                 |                           |
| <b>Risk Based Reviews</b>                            |   |           |                 |                           |
| Air Quality Duty                                     |    | Complete  | Substantial     | November 2024             |
| Festival & Charter Markets                           |  | Complete  | Moderate        | March 2025                |
| Homelessness   |  | Complete  | Limited         | March 2025                |
| Procurement Cards                                    |  | Complete  | None            | November 2024             |

|  |   |           |          |               |
|--|---|-----------|----------|---------------|
| Income Cash and Cards                      |    | Complete  | Limited  | November 2024 |
| Appraisals                                 |    | Complete  | Moderate | March 2025    |
| IT Asset Management                        | Draft   | Fieldwork |          |               |
| Environmental Enforcement – Fly-tipping    |    | Fieldwork |          |               |
| Social Housing Standards                   |    | Fieldwork |          |               |
| Follow Up                                  |   |           |          |               |
| Quarter 1                                  | N/A   | Complete  | N/A      | July 2024     |
| Quarter 2                                  | N/A   | Complete  | N/A      | November 2024 |
| Quarter 3                                  | N/A   | Complete  | N/A      | March 2025    |
| Quarter 4                                  |   |           | N/A      | May 2025      |
| Added Value/Support & Guidance             |   |           |          |               |
| Heritage Action Zone Expenditure Assurance | N/A   | Complete  | N/A      | February 2025 |
| 2023/24 Reviews                            |   |           |          |               |
| Reactive Maintenance*                      |  | Complete  | Limited  | July 2024     |



|  |   |          |             |           |
|--|---|----------|-------------|-----------|
| Climate Change*  |  | Complete | Substantial | July 2024 |
| Management   |   |          |             |           |
| Head of Internal Audit Opinion/Annual Report/Annual Governance Statement |   | Ongoing  | N/A         |           |
| Planning and Management  |   | Ongoing  | N/A         |           |
| Reporting and Meetings   |   | Ongoing  | N/A         |           |
| Contingency  |   | Ongoing  | N/A         |           |

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

\*These reviews were/will be delivered during 2024/25 as requested by the Council, and as such will be included in the 2024/25 Head of Internal Audit Opinion.

## Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

| Element  | Reporting Regularity | Status | Summary   |
|--|----------------------|--------|---|
| Delivery of the Head of Internal Audit Opinion (Progress against Plan)         | Each Audit Committee | Green  | There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.   |
| Issue a Client Satisfaction Questionnaire following completion of every audit. | Ongoing              | Green  | Link to questionnaire included within each audit report.  |
| Qualified Staff  | Annual               | Green  | MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.   |
| Quality  | Annual               | Green  | MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics. |

## Appendix C: Key Areas from our Work and Actions to be Delivered

| Report Title      | Festival and Charter Markets   |          |            |         |
|-------------------|--|----------|------------|---------|
| Executive Sponsor | Chief Officer – Sustainable Growth   |          |            |         |
| Objective         | To identify and evaluate key controls and processes relating to the Festival and Charter Markets including rent collection, debt management, trader engagement and general maintenance.  |          |            |         |
| Assurance Rating  | Moderate   |          |            |         |
| Recommendations   | 0 x Critical   | 1 x High | 4 x Medium | 2 x Low |
| Summary           | <p>Overall, we found that there were defined processes in place to manage and monitor the various stalls at the markets, but they were not always operating effectively.</p> <p>Since the Markets Manager left and was not replaced, there was a dependency placed on one supervisor at each market to complete all tasks including processing stall applications, obtaining and maintaining key trader documentation such as stall holder licence agreements, risk assessments, public liability insurance, and also general market maintenance. This single dependency also meant that there was a lack of segregation of duties for invoicing arrangements with the supervisor responsible for submitting invoice requests, with no independent checking of accuracy or completeness. Consequently, identified priority areas for action are to ensure that business continuity arrangements are developed to reduce the risks associated with any extended absence by the supervisors and invoice checking measures are put in place.</p> <p>Stall holder documentation was not always complete or current, with some Risk Assessments dating back to 2015. At the time of the audit visit fundamental maintenance issues at the Festival Market had not been addressed with a lack of budget being given as a reason, which the Supervisors did not have access to the budget in order to review.</p> |          |            |         |

|  |   |
|--|---|
|  | <p>Festival Market had accumulated debts of £145k, with Business Services taking over credit control activities to improve collection rates. It was noted record keeping needed to be improved and what was considered to be an ineffective debt collection agency was being replaced at the time of the review.</p> <p>Engagement was found to be good with regular contact and opportunities for traders to raise concerns or make suggestions for improvement. The Council website had dedicated pages for the markets with useful information and they were advertised through social media and promotions to encourage footfall and new traders to take up stalls.</p> |
|--|---|

|                     |  |          |            |         |
|---------------------|--|----------|------------|---------|
| <b>Report Title</b> | <b>Revenues and Benefits – Housing Benefit Overpayments</b>  |          |            |         |
| Executive Sponsor   | Chief Officer - Resources  |          |            |         |
| Objective           | To provide assurance that the key controls in relation housing benefit overpayments are appropriately designed and operating effectively in practice   |          |            |         |
| Assurance Rating    | Moderate   |          |            |         |
| Recommendations     | 0 x Critical   | 0 x High | 5 x Medium | 1 x Low |
| Summary             | <p>Overall, the audit identified that there was an adequate system of internal control, however, in some areas weaknesses in design and inconsistent application of controls put the achievement of some aspects of the system objectives at risk. Areas of good practice related to policies and procedures being in place around overpayments and related write offs. The policies and procedures were saved on a central teams file, this also included all key reports, guidance and overpayment data for staff to access. Areas of improvement related to training not being in place for assessment or recovery staff. The Shared Service was currently changing the performance monitoring process for overpayments due to the previous</p> |          |            |         |

|  |   |
|--|---|
|  | process being overly complex and so the current process did not match with the process stated in the policy. Processes for write offs were not in line with what was stated in the policy, and gaps were identified when sample testing benefit overpayments and calculations. Small, low risk findings were identified in relation to policies and procedures. |
|--|---|

|                     |   |          |            |         |
|---------------------|---|----------|------------|---------|
| <b>Report Title</b> | <b>Homelessness</b>   |          |            |         |
| Executive Sponsor   | Chief Officer – Housing and Property  |          |            |         |
| Objective           | To evaluate the design and operating effectiveness of the arrangements that the Council has in place to manage the key risks of Homelessness.   |          |            |         |
| Assurance Rating    | Limited   |          |            |         |
| Recommendations     | 0 x Critical  | 2 x High | 3 x Medium | 2 x Low |
| Summary             | <p>Whilst our audit has provided a limited assurance opinion, the Chief Officer - Housing and Property has provided context to the challenging environment under which the service is operating which has significantly impacted on the findings of the audit.</p> <p>The Cabinet approved the Homelessness and Rough Sleeping Strategy 2023 - 2028 in October 2023, which included priorities and actions for the three years from October 2023 to September 2026. The Homelessness Forum, which includes representation from a range of stakeholder organisations, was assigned responsibility for overseeing the delivery of the Strategy. Progress reports to Cabinet are required on an annual basis.</p> <p>The Housing Options Team has been carrying vacant posts for a number of months including the Assistant Manager role and the Policy and Project Officer role. A focus of the Assistant Manager role, which was out to advert at the time of the audit, is to manage, review and improve the performance of the team. Whilst the Principal Housing Options Manager was supporting staff and assisting, particularly</p> |          |            |         |

|  |  |
|--|--|
|  | <p>with cases brought to her attention, there were insufficient resources to fully monitor and review casework files. Our sample testing of case files identified examples of failure to fully establish and/ or evidence eligibility, local connection and intentionality. Hence it is possible that the Council has undertaken a duty (prevention, relief or main duty) where it was not required or where the case could have been referred to another authority. There were also examples of failure to notify customers in writing of the opening and ending of a duty. Procedure notes were not available for the team.</p> <p>At the Homelessness Forum on 14th December 2023, attendees had discussed the delivery of one of the Strategy actions within priority area two. However, there has not been a meeting of the Forum since and therefore the arrangements in place for overseeing delivery of the actions and the other three priorities within the Strategy had not been progressed. These quarterly meetings and the monthly meetings of the Homeless Advisory Group had lapsed since the Policy &amp; Project Officer post was vacated in February 2024. However, arrangements were being put in place at the time of the audit for review of the action plan to enable annual reporting of the Strategy to Cabinet and for the re-introduction of both meetings.</p> |
|--|--|

| Report Title      | Appraisals   |          |            |         |
|-------------------|--|----------|------------|---------|
| Executive Sponsor | Chief Officer – People & Policy  |          |            |         |
| Objective         | To ensure systems in place for annual conversations have appropriate controls in place, with effective reporting and monitoring processes. |          |            |         |
| Assurance Rating  | Moderate   |          |            |         |
| Recommendations   | 0 x Critical   | 1 x High | 2 x Medium | 3 x Low |

## Summary

A new policy and process has been developed and implemented by the council, which was the focus of the review. The review found that overall, whilst the control design was largely in place, the processes were not operating effectively.

It was noted that there was a low completion rate for the annual conversations of 51% for 2024, this being a decrease from 2023 which was 61%. The new policy had been drafted and introduced in April 2023, alongside the Performance Framework which guides the users through the processes. The policy was due for renewal in April 2024, this has yet to be completed. A review of processes and a sample of conversations showed that there was a template form in place, all forms had agreed objectives, and there was a learning platform used to maintain uniformity across all departments. Team appraisals were carried out for those working together with shared goals and barriers to achievement, with the opportunity for these to be carried out individually if required. However, testing highlighted that elements of the conversations were incomplete, mainly in respect of allocating impact ratings and aligning performance to the councils' values. The personal development and training sections were completed in only 60% of those sampled.

It was also noted that the personal development plans (PDPs), are not produced directly from the learning system, with the Managers concerned having to record these separately for the Learning and Development team. There was a small number of instances where the quality of the objectives was not in line with the policy, for example the objective was a potential part of the appraisees job description. The leadership team have received regular updates on the completion rate of the annual conversations, and a summary report in September on the progress for 2024. The Chief Officers should produce a standard report discussing themes and training requirements arising from conversations for discussion at SLT. However, these reports had been completed by only two out of seven Service Areas.

## Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at March 2025.

| AUDIT TITLE<br>(YEAR)                               | NO<br>OF<br>RECS | ASSURANCE<br>LEVEL | PROGRESS ON<br>IMPLEMENTATION |   |   |            | OUTSTANDING<br>RECOMMENDATIONS |   |   |   | COMMENTS   |
|---|------------------|--------------------|-------------------------------|---|---|------------|--------------------------------|---|---|---|--|
|   |                  |                    | ✓/S                           | P | X | Not<br>due | C                              | H | M | L |  |
| 2021/22   |                  |                    |                               |   |   |            |                                |   |   |   |  |
| Council Tax   | 8                | Moderate           | 7                             | 1 | - | -          | -                              | - | 1 | - | Remaining recommendation delayed due to a County Council programme being put in place to address the action. |
| P2P System  | 4                | Limited            | 1                             | 1 | 2 | -          | -                              | 2 | 1 | - | Awaiting evidence for remaining recommendations.   |
| 2022/23   |                  |                    |                               |   |   |            |                                |   |   |   |  |
| Budgetary Controls                                  | 3                | Substantial        | 2                             | 1 | - | -          | -                              | - | - | 1 | Remaining recommendation in progress.  |
| Externally<br>Managed Events                        | 7                | Substantial        | 5                             | 2 | - | -          | -                              | - | - | 2 | Awaiting evidence for outstanding recommendations.   |
| Cyber Security                                      | Confidential     |                    |                               |   |   |            |                                |   |   |   |  |
| Data Protection:<br>Policy and Process<br>Follow up | Confidential     |                    |                               |   |   |            |                                |   |   |   |  |
| Resilience and<br>Emergency<br>Preparedness         | 7                | Limited            | 6                             | 1 | - | -          | -                              | - | 1 | - | Remaining recommendation in progress.  |
| CCTV  | 4                | Limited            | -                             | 4 | - | -          | -                              | 4 | - | - | All recommendations are in progress.   |



| AUDIT TITLE<br>(YEAR)              | NO<br>OF<br>RECS | ASSURANCE<br>LEVEL | PROGRESS ON<br>IMPLEMENTATION |   |   |            | OUTSTANDING<br>RECOMMENDATIONS |   |   |   | COMMENTS   |
|------------------------------------|------------------|--------------------|-------------------------------|---|---|------------|--------------------------------|---|---|---|--|
|                                    |                  |                    | ✓/S                           | P | X | Not<br>due | C                              | H | M | L |  |
| Contracts                          | 11               | Limited            | 2                             | 9 | - | -          | -                              | 3 | 5 | 1 | All recommendations are in progress.                   |
| 2023/24                            |                  |                    |                               |   |   |            |                                |   |   |   |  |
| IKEN Review                        | 6                | Moderate           | 1                             | 5 | - | -          | -                              | 1 | 2 | 2 | All remaining recommendations in progress.             |
| Payroll                            | 6                | Limited            | 4                             | - | 2 | -          | -                              | 1 | 1 | - | Awaiting evidence for remaining recommendations        |
| Risk Management                    | 6                | Substantial        | 4                             | - | - | 2          | -                              | - | - | 2 | Remaining recommendations not yet due.                 |
| National Non-Domestic Rates (NNDR) | 5                | Substantial        | 4                             | 1 | - | -          | -                              | - | 1 | - | Remaining recommendation in progress.                  |
| Climate Change                     | 5                | Substantial        | 3                             | - | - | 2          | -                              | - | 1 | 1 | Recommendations not yet due.                           |
| Reactive Repairs and Maintenance   | 9                | Limited            | 4                             | 2 | - | 3          | -                              | 3 | 2 | - | All recommendations in progress or not yet due.        |
| Budgetary Controls                 | 7                | Substantial        | 3                             | 3 | - | 1          | -                              | - | 2 | 2 | Three recommendations in progress and one not yet due. |
| Mobile Device Management           | Confidential     |                    |                               |   |   |            |                                |   |   |   |  |
| 2024/25                            |                  |                    |                               |   |   |            |                                |   |   |   |  |
| Air Quality Duty Review            | 5                | Substantial        | -                             | - | 4 | 1          | -                              | - | 1 | 4 | Awaiting evidence or recommendations not yet due.      |

| AUDIT TITLE<br>(YEAR)          | NO<br>OF<br>RECS | ASSURANCE<br>LEVEL | PROGRESS ON<br>IMPLEMENTATION |           |           |            | OUTSTANDING<br>RECOMMENDATIONS |           |           |           | COMMENTS  |
|--------------------------------|------------------|--------------------|-------------------------------|-----------|-----------|------------|--------------------------------|-----------|-----------|-----------|---|
|                                |                  |                    | ✓/S                           | P         | X         | Not<br>due | C                              | H         | M         | L         |   |
| Income – Cash and Cards Review | 12               | Limited            | 3                             | -         | 1         | 8          |                                | 1         | 6         | 2         | Recommendations in progress or not yet due.       |
| Procurement Cards              | 10               | No                 | -                             | -         | 5         | 5          | 1                              | 1         | 6         | 2         | Awaiting evidence or recommendations not yet due. |
| Homelessness                   | 7                | Limited            | 1                             | -         | -         | 6          |                                | 2         | 3         | 1         | Recommendations not yet due.                      |
| Markets                        | 7                | Moderate           | -                             | -         | -         | 7          | -                              | 1         | 4         | 2         | Recommendations not yet due.                      |
| Revenue and Benefits           | 6                | Moderate           | 2                             | -         | -         | 4          | -                              | -         | 3         | 1         | Recommendations not yet due.                      |
| Appraisals                     | 6                | Moderate           | -                             | -         | -         | 6          | -                              | 1         | 2         | 3         | Recommendations not yet due.                      |
| <b>TOTALS</b>                  | <b>141</b>       |                    | <b>52</b>                     | <b>30</b> | <b>14</b> | <b>45</b>  | <b>1</b>                       | <b>20</b> | <b>42</b> | <b>26</b> |   |

Key to recommendations:

✓/S Implemented or Superseded

P Partially implemented/recommendation in progress

X Recommendation not implemented/awaiting update

C Critical priority recommendation

H High priority recommendation

M Medium priority recommendation

L Low priority recommendation

## Appendix E: Assurance Definitions and Risk Classifications

| Level of Assurance | Description   |
|--------------------|---|
| High               | There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.                               |
| Substantial        | There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.  |
| Moderate           | There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk. |
| Limited            | There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.                                |
| No                 | There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.                      |

| Risk Rating | Assessment Rationale   |
|-------------|--|
| Critical    | Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul> |
| High        | Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.  |
| Medium      | Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>  |
| Low         | Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.  |

## Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Louise Cobain

Engagement Lead

Tel: 07795 564916

Email: [Louise.Cobain@miaa.nhs.uk](mailto:Louise.Cobain@miaa.nhs.uk)

Fiona Hill

Engagement Manager

Tel: 07825 592842

Email: [Fiona.Hill@miaa.nhs.uk](mailto:Fiona.Hill@miaa.nhs.uk)

**AUDIT COMMITTEE****19 March 2025****Internal Audit Plan 2025/26****Report of Head of Internal Audit****PURPOSE OF REPORT**

To inform Members of the planned Internal Audit work for the forthcoming year.

**This report is public**

**RECOMMENDATION**

The Committee is asked to:

1. **Approve the 2025/26 Annual Internal Audit Plan and draft Strategic Plan to 2026/27**
2. **Note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting; and**
3. **Note that Plan changes will be reported during the year.**

**1.0 Introduction**

- 1.1 The terms of reference of the Audit Committee include the wording: "To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources".
- 1.2 Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that "The Chief Audit Executive (the HoIA) must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."
- 1.3 The standards also specify that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."
- 1.4 The Internal Audit Plan defines the scope and the rationale of the approach being followed. They allow Internal Audit, independently, to provide assurance to managers, the Chief Executive, the Section 151 Officer and other stakeholders about the effectiveness of controls and the management of risk. They also enable Internal Audit to assist this Committee with its responsibility to oversee the effectiveness of governance arrangements in the Council and in its partnerships through the reporting arrangements in place.

## 2.0 Proposal Details

### Draft Internal Audit Plan 2025/26

- 2.1 The Plan defines the scope and reasoning behind the approach being adopted. Overall, the objectives are:
- to fulfil Internal Audit's own statutory obligations;
  - to provide assurance, support and advice to Chief Officers on matters under their control;
  - to support the Section 151 Officer's statutory obligations to maintain an adequate and effective audit of the Council's accounting records and its systems of internal control; to assist the Audit Committee in gaining independent assurance on the Council's risk management, governance and control arrangements;
  - to report compliance with the PSIAS; and
  - to contribute to the development of corporate standards
- 2.2 The Plan is mapped to the Council's strategic objectives and strategic and will be reviewed as part of the risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value

## 3.0 Financial Considerations

- 3.1 As part of the Councils General Fund Revenue Budget 2023/24 the current contractual arrangement with MIAA was extended for 3 years. The current draft audit plan priorities for 2024/25 will be delivered within the overall budget for the internal audit service. However further consideration maybe needed in respect of financing any additional bespoke support going forward.

## 4.0 Details of Consultation

- 4.1 The 2025/26 Plan is Year Three of a Three Year Strategic Audit Plan covering 2023/24 – 2025/26. It will be subject to a review and refresh during year in consultation with Senior Leadership Team. Later in 2025/26 further consultations will be held with Chief Officers to ensure that the Plan continues to meets the stated objectives. Any significant changes to reflect new developments, changes to priorities and/or resources will be reported to this Committee.
- 4.2 Ongoing consultations will take place with Chief Officers during 2025/26 to ensure that specific Terms of Reference are prepared for each planned audit that reflect the detailed key risks relevant to each area.

## 5.0 Options and Options Analysis (including risk assessment)

- 5.1 The options available are to either accept the internal audit plan 2025/26 which will provide the Council and its internal audit function with the basis for continued compliance with established Internal Audit standards or recommend alternative proposals if necessary. There are no alternative options to be considered at this point in time.

## 6.0 Conclusion

- 6.1 Robust and effective planning are key elements in the delivery of an effective internal audit service. The attached audit plan, will assist the council in achieving its objectives and provide an overall opinion on the Council's control environment, which is a required key source of assurance in the Council's Annual Governance Statement.

### CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

**FINANCIAL IMPLICATIONS**

The draft audit plan priorities for 2025/26 can be delivered within the overall budget for the internal audit service.

**SECTION 151 OFFICER'S COMMENTS**

The delivery of the Council's audit strategy and audit plan are fundamental to the assessment of the Councils Internal Control environment.

**LEGAL IMPLICATIONS**

None directly arising from this report

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN)

**Contact Officer:** Louise Cobain

**Telephone:** 07795 564916

**E-mail:** Louise.Cobain@miaa.nhs.uk





# Lancaster City Council

Internal Audit Plan 2025/26

# Contents

1. Executive Summary
2. Supporting you through Adding Value
3. Understanding Your Vision, Objectives & Risks
4. Internal Audit Risk Assessment
5. Internal Audit Plan On A Page
6. Operational Internal Audit Plan 2025/26

Appendix A: Strategic Three Year Internal Audit Plan

Appendix B: Internal Audit Key Performance Indicators

## Your Internal Audit Team



**Louise Cobain**  
*Engagement Lead*  
07795 564916  
Louise.cobain @miaa.nhs.uk



**Fiona Hill**  
*Engagement Manager*  
07825 592842  
Fiona.hill@miaa.nhs.uk




**Ellie Lawson**  
*Delivery Manager*  
07776 588011  
Ellie.lawson @miaa.nhs.uk

# 1 Executive Summary

## 1.1 MIAA’s Strategy - Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience. Our current MIAA wide strategy is summarised below:

|                          |   |   |   |  |  |
|--------------------------|---|---|---|--|--|
| Our Vision               | MIAA will be the provider of choice of public and 3 <sup>rd</sup> sector clients, supporting them to deliver value and improve services for the benefit of the people and communities they serve. |   |   |  |  |
| Our Mission              | To drive value and improve outcomes through excellence and professionalism  |   |   |  |  |
| Our Values               |  TRUST   |  RESPECT & COMPASSION                                      |  COMMITMENT TO INNOVATION & EXCELLENCE |  |  |
| Our Strategic Objectives | <b>FINANCE</b><br>Ensure MIAA is sustainable and continues to grow its client base, products and service offers   | <b>QUALITY &amp; ADDED VALUE SERVICES</b><br>Ensure MIAA demonstrates added value, delivers quality and professional services for our clients | <b>PEOPLE</b><br>Continue to recruit, develop, support, retain and reward our people to maximise their potential          | <b>GOVERNANCE&amp; ACCOUNTABILITY</b><br>Ensure we demonstrate effective and appropriate governance and accountability to our stakeholders | <b>INNOVATION</b><br>Continue to lead and innovate across all our services |

## 1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your risk register as this represents Lancaster City Council's own assessment of the risks to achieving its strategic objectives. These are summarised in Appendix A. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

Where available and appropriate we have considered the work of other assurance providers in developing your plan.

## 1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your assurance framework. The draft plan is based on an initial risk assessment and provides indicative coverage for the Council. The plan will remain flexible to allow for responses to emerging challenges that the Council may face.

Your operational annual plan in Section 5 forms part of the Council's three year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

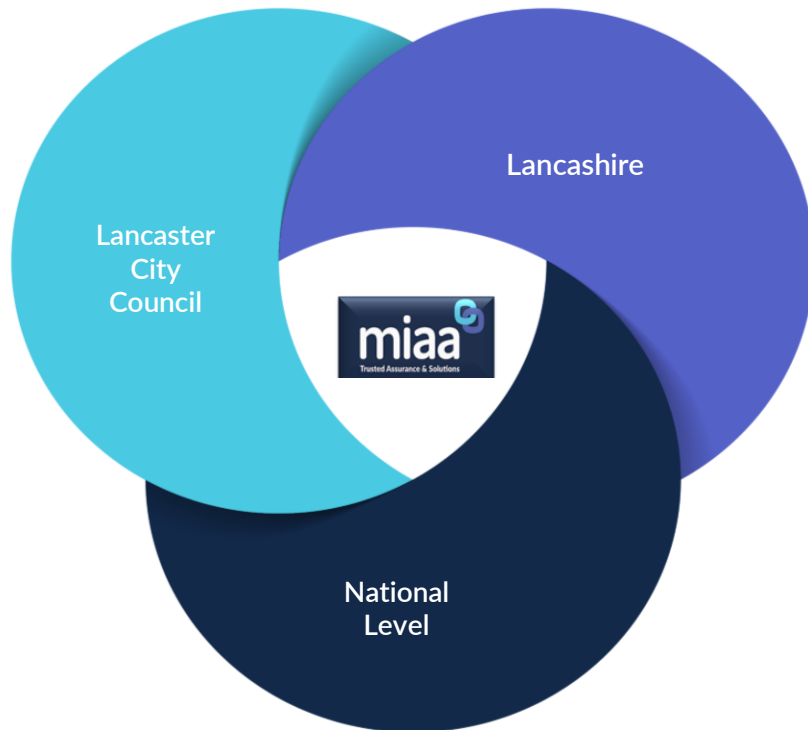
We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, including benchmarking, briefings and events will be integral to your plan.

In line with national planning guidance we are uplifting our fees (internal audit / anti-fraud) by 2.15% (this consists of a 4.15% cost uplift less an efficiency factor of 2% which we are absorbing). Your fees for 2025/26 are £94,584.



## 2 Supporting you through Adding Value



### Individual Organisation Level

- Client Focused: Relationships & Engagement
- Specialist Services
- Local presence
- Flexibility and ability to respond
- Sharing of best practice / aligning of audit review approaches and scopes where appropriate
- Access to MIAA Insights and Benchmarking, Events

### System Level

- Regional based teams
- Significant experience and knowledge: extensive client base
- Benchmarking, shared learning & best practice
- Regional & System Groups, inc:
  - CIPFA North West (Audit & Risk Group)
  - IIA North West
  - Regional Audit Chairs
  - Regional Cyber Groups

### National Level

- Involvement and representation on National Bodies, inc:
  - UK Public Sector Internal Audit Standards Advisory Board
  - Management Focus Group
  - The Internal Audit Network
  - Cyber Associates Network Development Group
- National Publications, Insights and Contributions, inc:
  - TIAN / HfMA / IIA / CIPFA /NHSE

# 3 Understanding Your Vision, Objectives & Risks

## Understanding Your Vision, Objectives and Risks

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

## Assurance Built Around Your Risks

- Financial sustainability
- Leadership and workforce
- Climate Change
- Funding Gap
- Cyber Security

We map your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan (Appendix A). This is reviewed as part of the risk assessment process to ensure that the plan remains focused on the Council's key risks and challenges and adds value.





## 4 Internal Audit Risk Assessment

The Lancaster City Council internal audit plan is built from a risk assessment which has considered national and local system risks, place based developments and your local strategic risk assessment, along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

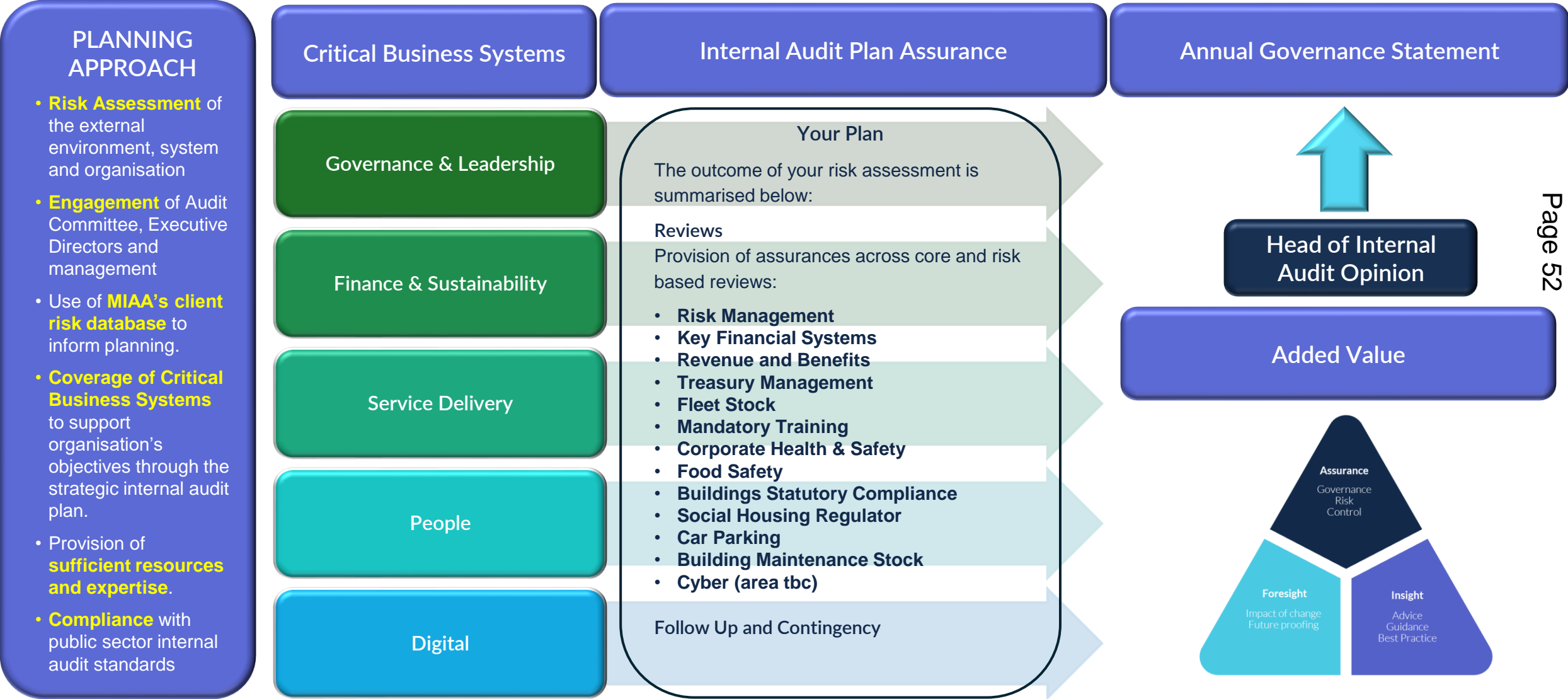
The initial strategic risk assessment and internal audit risk assessment has considered:

- **Organisation intelligence** – including review of your Strategic Risk Register, Strategy and committee papers.
- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Mandated assurance** – including core systems assurances, and public sector internal audit standards requirements.
- **Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- **Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.



# 5 Internal Audit Plan on a Page

For Lancaster City Council, this is the planning approach we will adopt:





6 Operational Internal Audit Plan 2025/26

LANCASTER  
CITY COUNCIL

Promoting City, Coast & Countryside

| Review & Scope   | BAF Risk / Rationale  | Planned Delivery | Executive Lead                       |
|--|---|------------------|--------------------------------------|
| Governance & Leadership  |   |                  |                                      |
| <b>Risk Management – Core Controls:</b> To provide assurance that core risk management controls have established and maintained.   | <b>HOIA Opinion Requirement/ Internal audit standards requirement</b> | Q4               | Chief Officer - Resources            |
| Finance & Sustainability   |   |                  |                                      |
| <b>Key Financial Controls:</b> To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.   | <b>Core Assurance</b>   | Q3               | Chief Officer - Resources            |
| <b>Treasury Management:</b> To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice   | <b>Core Review/Council Strategic Risk Register SR14</b>               | Q2               | Chief Officer – Resources            |
| <b>Revenue and Benefits:</b> To provide assurance on the controls in place and that they are appropriately designed and operating effectively.   | <b>Core Assurance</b>   | Q3               | Chief Officer - Resources            |
| <b>Fleet Stock:</b> Review the controls in place for stock retained for fleet vehicles and personal usage and ensure they are operating effectively  | <b>Management Request/ Council Strategic Risk SR04</b>                | Q2               | Chief Officer – Environment & Place  |
| Service Delivery   |   |                  |                                      |
| <b>Car Parks:</b> To provide assurance on the controls in place and that they are appropriately designed and operating effectively including collection of income, enforcement and income from apps.                     | <b>Management Request/Council Strategic Risk – SR04</b>               | Q2               | Chief Officer – Sustainable Growth   |
| <b>Food Safety:</b> To provide assurance on the controls in place and that they are appropriately designed and operating effectively.  | <b>B/FWD from 2425</b>  | Q1               | Chief Officer – Environment & Place  |
| <b>Building Maintenance Stock:</b> To provide assurance on the controls in place and that they are appropriately designed and operating effectively. Review of Reactive repairs and maintenance findings being actioned. | <b>Management Request</b>   | Q4               | Chief Officer – Housing and Property |
| <b>Corporate Health and Safety:</b> To provide assurance on the controls implemented recently are appropriately designed and operating effectively.  | <b>B/FWD from 2425</b>  | Q1               | . Chief Officer – People and Policy  |
| <b>Social Housing Regulator:</b> To provide assurance on the controls in place for the new regulations and that they are appropriately designed and operating effectively.   | <b>Management Request/Council Strategic Risk SR21</b>                 | Q3               | Chief Officer – Housing and Property |
| <b>Building Statutory Compliance:</b> To provide assurance on the controls that are in place for Council Housing and Council Buildings are appropriately designed and operating effectively.                             | <b>B/FWD from 2425/Council Strategic Risk SR20</b>                    | Q1               | Chief Officer – Housing and Property |

| Review & Scope  | BAF Risk / Rationale                    | Planned Delivery | Executive Lead                    |
|---|---|------------------|-----------------------------------|
| People  |   |                  |                                   |
| <b>Mandatory Training:</b> To provide assurance on the controls in place for mandatory training and that they are appropriately designed and operating effectively. | Core Review/Council Strategic Risk SR03 | Q2               | Chief Officer – People and Policy |
| Digital   |   |                  |                                   |
| <b>Cyber (area tbc):</b> To provide assurance on the controls in place and that they are appropriately designed and operating effectively.                          | Core Review/Council Strategic Risk SR09 | Q3               | XXXX                              |
| Follow up & Contingency   |   |                  |                                   |
| Follow up and Contingency   | Internal audit standards requirement    | Q1 – Q4          |                                   |
| Planning & Reporting  |   |                  |                                   |
| Planning, Management, Reporting & Meetings  | Internal audit standards requirement    | Q1 – Q4          |                                   |

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*

The following risk areas were identified as part of the annual risk assessment (refer above), but are not currently prioritised within the Internal Audit Plan coverage.

| Risk Area  | Review Origin                     | Rationale   |
|--|-----------------------------------|---|
| Freedom of Information & Subject Access Requests | Risk Register                     | There are currently no known concerns or risks  |
| Complaints handling                              | New Guidance & Management Request | LGSCO legislation expected in early 2026. To be considered for review in 2026/27  |
| Building Safety Levy                             | New Guidance & Management Request | New law expected in 2025. To be considered for review in 2026/27  |
| Tree Management                                  | Management Request                | Not considered a priority. To be considered for review in 2026/27   |
| Communications                                   | Management Request                | Communications officer has retired, a new officer is taking up the post in 2025. Positive assurance from Peer Review and LGA reviews. |
| Anti Social Behaviour Council Housing Team       | Management Request                | Not considered a priority. To be considered for review in 2026/27   |
| Housing Standards – Private Rented Accommodation | Management Request                | Not considered a priority. To be considered for review in 2026/27   |
| Consumer Standards Regulations – Council Housing | Management Request                | Not considered a priority. To be considered for review in 2026/27   |

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*

# Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

| REF  | Strategic Risk  | Risk Score | 2025/26                    | 2026/27             | 2027/28             |
|--|---|------------|----------------------------|---------------------|---------------------|
| <b>Principal Objective: A Sustainable District</b>                       |   |            |                            |                     |                     |
| SR06   | The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030  | 8          |                            | Climate Change Data |                     |
| <b>Principal Objective: An Inclusive and Prosperous Local Economy</b>    |   |            |                            |                     |                     |
| SR05   | Council services are disrupted due to local or national emergencies.  | 6          | Treasury Management        |                     |                     |
| SR08   | The Council fails to deliver its key projects due to the lack of capacity and resources.  | 6          | Mandatory Training         |                     |                     |
| <b>Principal Objective: Happy and Healthy Communities</b>                |   |            |                            |                     |                     |
| SR10   | Changes in Government policy impact on the ability to deliver major projects and programmes that would benefit our communities.   | 6          | Social Housing Regulations | Procurement Act     | Complaints Handling |
| SR16   | The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses. | 6          | Car Parks                  | Tree Management     |                     |
| <b>Principal Objective: A Co-operative, Kind and Responsible Council</b> |   |            |                            |                     |                     |
| SR03   | The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver                                   | 6          | Health and Safety          |                     |                     |
| SR17   | Negligent or unlawful action by the Council, resulting in financial or other liabilities  | 6          |                            | Communications      | Housing Standards   |

# Appendix B – Internal Audit Key Performance Indicators

An efficient and effective internal audit service is delivered in partnership. It is important that clear expectations are established and a range of KPIs are in place to support this. It is important that organisations ensure an effective Internal Audit Service. Whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. Our annual Head of Internal Audit Opinion will provide you with a range of impact and effectiveness measures, as well as confirmation of our compliance with public sector internal audit standards and accreditations.

In addition, the following operational KPIs have been proposed for you.

| Operational KPI   | Target | Measurement and Frequency   |
|---|--------|---|
| Agreement of Annual Plan prior to the start of the year   | 100%   | Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)   |
| Completion of annual plan within agreed timetable and budget  | 100%   | Annual (measured through HOIA opinion) plus in year reporting to Audit Committee  |
| Presentation of the Head of Internal Audit Opinion to the Audit Committee   | 100%   | Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)   |
| Delivery of audit reports to audit committee as per the plan  | 100%   | Quarterly (measured as per annual operational delivery plan)  |
| Terms of reference agreed with management at least 10 working days before commencement of audit   | 100%   | Quarterly (measured as per TeamMate system) – requires MIAA and Council to deliver KPI (for urgent requests this may be shorter depending on the nature of the request) |
| Draft reports issued within 10 days of completion meeting   | 100%   | Quarterly (measured as per TeamMate system)   |
| Final audit report issued within 10 days of receiving management response   | 100%   | Quarterly (measured as per TeamMate system)   |
| Final audit reports are agreed by the nominated executive director, who will ensure consultation has taken place with relevant Council officers | 100%   | Quarterly (measured as per annual operational delivery plan)  |
| Receipt of all internal audit reports in accordance with timelines for Audit Committee publication with completed cover sheets as required      | 100%   | Quarterly (measured as per agreed Audit Committee dates)  |
| Proportion or recommendations accepted by management  | 95%    | Quarterly (measured as per TeamMate system) – the target allows for advisory recommendations (we would expect 100% of high risk recommendations).                       |
| Monitor and Follow Up implementation of accepted recommendations by due date  | 95%    | Quarterly (measured through follow up reports) – requires Council and MIAA to deliver KPI   |
| Issue of client satisfaction survey following completion of each review   | 100%   | Quarterly (measured as per agreed Audit Committee dates)  |
| Operation of systems to ISO Quality Standards and compliance with public sector internal audit standards.                                       | 100%   | Quarterly (measured as per agreed Audit Committee dates)  |
| Commitment to training and development of audit staff. Maintenance of 65% Qualified (CCAB, IIA etc) 35% Part Qualified                          | 100%   | Quarterly (measured as per agreed Audit Committee dates)  |

## Global Internal Audit Standards in the UK Public Sector

This Plan is compliant with the requirements of the Global Internal Audit Standards as they apply in the UK Public Sector which came into effect on 1<sup>st</sup> April 2025.

### Limitations

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.



|                        |
|------------------------|
| <b>AUDIT COMMITTEE</b> |
|------------------------|

## Annual Governance Statement Action Plan 19<sup>th</sup> March 2025

### Report of Monitoring Officer

|  |
|--|
| <b>PURPOSE OF REPORT</b>   |
| To provide Members with an update on the Action Plan referred to in the AGS in connection with other governance issues identified. |
| <b>This report is public</b>   |

#### RECOMMENDATIONS

- (1) That the progress and steps yet to be taken on the Action Plan be noted.

#### 1.0 Introduction

- 1.1 On 27<sup>th</sup> November 2024 the Audit Committee received a report on progress and steps taken on the Annual Governance Statement (AGS)'s Action Plan with regards to 'other governance' issues identified in the 2023/2024 AGS. As Members will be aware the Council issued its AGS following the Audit Committee's consideration of the document on 31 July 2024. The AGS identified various issues to be addressed. These are split into two categories – (a) Other Governance Issues and (b) Significant Challenges for 2023/24 and beyond. This report provides an update on the first category. That is the issues identified as "Other Governance Issues".

- 1.2 Following the 2022/23 AGS, an Action Plan was put together to address the areas identified. The issues covered by the Action Plan include:

- (a) Policy review/updating
- (b) The Corporate Complaints Policy and other service complaint procedures
- (c) Publication of Information
- (d) Information on the Council's website
- (e) Better Publication of Officer roles
- (f) Review of Festival Market Management

- 1.3 As set out in the Audit report of 27<sup>th</sup> November 2024, the remaining issues covered by

the Action Plan included:

- (a) Policy review/updating
- (b) Information on the Council's website
- (c) Review of Festival Market Management

- 1.4 Good progress is being made against the Action Plan. Although, more work is yet to be done.

### **Work undertaken/to be completed**

#### **Policy Review / Updating**

- 1.5 As previously reported many policies lacked sufficient audit trail of review and amendment. This creates weakness in ensuring that policies are kept up-to-date and are kept properly under review.
- 1.6 There has been some delay in progressing the work on reviewing and updating policies. The member of staff taking the lead on this area went on maternity leave and it took some time to recruit maternity cover (late January 2025).
- 1.7 A central list of Council Policies has been created from looking at LCC's website and intranet. Chief Officers were last contacted in February 2025 and asked to review a spreadsheet of policies in their area. As part of the review, it was requested that officers:
- a. Update policies, adding necessary details with regards to the date of creation, date of review and details of the decision maker.
  - b. Update the spreadsheet with any revised policy details ensuring all columns are complete and accurate; and
  - c. Add any additional policies that are not listed onto the spreadsheet.
- 1.7 The spreadsheet includes details of:
- a. Service and Responsible Officer
  - b. Officer contact details
  - c. Policy Name
  - d. Policy Creation Date
  - e. Review Frequency (years)
  - f. Date policy last updated
  - g. Date next policy review is due (a calculated date, based on the two fields above)
  - h. Decision maker (e.g. Committee, Cabinet Member, Officer)
  - i. Notes appropriate to the particular policy
- 1.8 Updates were requested by the end of 4<sup>th</sup> March 2025, and this has resulted in further policies being updated. At present 57 policies out of 170 are listed as remaining overdue according to their review frequency and last review date. Further work is needed to continue to update policies, and further reminders are due to be sent out in June/July 2025. Officers are also currently looking at ways to speed up the process of updating policies and methodologies of policies up to date. This includes looking at



automatic reminders being generated and a central point where the list of policies and updates can be kept up to date.

- 1.9 Meetings with individual officers are currently being arranged to discuss out of date policies and to understand the present position. Discussions with officers has revealed that some policies have been split into separate policies and some policies have been amalgamated (reducing the number of policies) and some policies are being worked on. It may be that the list of out-of-date policies is less due to amalgamation and that some policies are obsolete.
- 1.10 Review dates on policies are generally between 1 and 2 years. Work is needed to appraise whether these review periods are correct. Some policies will need annual review whereas other policies may not need a review for 2 or 3 years (depending on statutory requirements and change).

### **Information on Website**

- 1.11 As previously reported, it has been noted that Information is sometimes difficult to find on the Council's website.
- 1.12 Funding has been secured through the budget process for a new site. The Council's Communication team is working on the specifications and hope to go out to procurement within the next couple of months.

### **Review of Festival Market Management**

- 1.13 Again, as previously reported, following a matter raised under the Raising Concerns Policy the Monitoring Officer requested that a review of the festival market trading practices be undertaken by the Chief Officer Sustainable Growth to ensure suitable financial management has been, and is being, undertaken.
- 1.14 An audit report with regards to the Council's markets (Festival, Charter and Assembly Rooms) has now been finalised and an action plan created to address issues highlighted. This provides a timestable for actions to be completed over the next 12 months.

### **Conclusion**

- 1.18 Audit Committee members are asked to note the progress and work yet to be done under the Action Plan on the other governance issues identified in the AGS.

#### **CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

The Council must keep its governance processes under review and must ensure that it take steps to ensure that its processes are kept up-date and relevant. Good governance ensures that resources are properly used for the community it serves. Implementing the action plan on other governance issues helps ensure the Council's good governance.

**LEGAL IMPLICATIONS**

There are no direct legal implications arising from this report.

**FINANCIAL IMPLICATIONS**

No direct financial implications arising from this report

**OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

No direct resource implications arising from this report.

**SECTION 151 OFFICER'S COMMENTS**

The S151 officer has seen this report and has no further comments.

**MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has helped draft this report.

**BACKGROUND PAPERS**

Annual Government Statement – July 2024

**Contact Officers:** Monitoring Officer

**Email:** [lgorst@lancaster.gov.uk](mailto:lgorst@lancaster.gov.uk)

**Ref:** N/A

REGULATORY**AUDIT COMMITTEE****Update of the Regulation of Investigatory Powers Act 2000  
(RIPA) Policy****19 March 2025****Report of the Information Governance Manager****PURPOSE OF REPORT**

- To update the committee on the current state of the RIPA policy and Procedure, including any amendments
- To review the authority's use of RIPA since it was last considered by Audit Committee 23 November 2023

**This report is public.****RECOMMENDATIONS**

- (1) **Members asked to note that there are no changes proposed to the RIPA policy this year. This policy will remain under annual review to ensure its fitness for purpose in line with the recommendations made by the Investigatory Powers Commissioner's Office (IPCO).**
- (2) **Members are asked to note that the Council has had one RIPA Authorisation and subsequent cancellation in December 2020, but there have been no further authorisations since.**

**1.0 Introduction**

- 1.1 Local authorities can undertake surveillance and access communications data under the framework of the Regulation of Investigatory Powers Act 2000. The rules set high standards for all public authorities that use these powers to undertake a range of enforcement functions to ensure they can keep the public safe and bring criminals to justice, whilst protecting individuals' rights to privacy.
- 1.2 The RIPA policy was last reviewed and approved by the Audit Committee on 23 November 2023.

- 1.3 The Council has had one RIPA Surveillance authorisation in December of 2020. This is the first and only authorisation that the Council has had since 2014.

## **2.0 Proposal Details**

- 2.1 The Code of Practice requires a number of best working practices to be adopted by all public authorities, including:
- An annual review of the authority's use of RIPA to ensure that it is being used consistently and in accordance with the Council's policy; and
  - An annual review of the policy ensuring that it remains fit for purpose
- 2.2 In 2017 the IPCO took over the inspection and oversight functions on the application RIPA, which was previously carried out by the Surveillance Commissioner's Office.
- 2.3 The IPCO have stated that they will continue to ensure Local Authorities are complying with RIPA by conducting a programme of inspections. As a generality, their aim is to inspect each authority once every three years but have also introduced remote desktop inspections for authorities that have significantly reduced or stopped using their powers under RIPA and when there are no apparent significant compliance concerns.
- 2.4 Lancaster City Council had a remote desktop inspection by the IPCO in July 2023 and is due another in 2026.
- 2.5 The recommendations in the previous Inspection report in 2020 which were outside of the policy amendments, i.e. training of officers engaged in investigatory areas and training of the Chief Officer Governance (Monitoring Officer) in their role as Authorising Officer, have finally been actioned after staff changes and training budget pressures. The Chief Officer Governance (Monitoring Officer) attended Authorising Officer Training on 14<sup>th</sup> January 2025.
- 2.6 Following a review of the policy, it was decided that at present, the policy remains fit for purpose following its last review.

This will be reviewed again next year.

## **3.0 Details of Consultation**

- 3.1 The Monitoring Officer, Legal Services and Corporate Fraud have been consulted in compiling this report.

## **4.0 Options and Options Analysis (including risk assessment)**

- 4.1 There are no other options available. It is necessary to carry out a regular review and update of the RIPA policy to ensure it supports the council's officers and protects the rights of the public when carrying out surveillance.

## **5.0 Conclusion**

- 5.1 Currently the policy remains compliant with the law and will be reviewed again next year.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

Not Applicable

**LEGAL IMPLICATIONS**

No Change

**FINANCIAL IMPLICATIONS**

None directly arising from this report. Training for staff to ensure that they are kept up to date with appropriate practice and revisions to RIPA will be allocated from existing budgets.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and has no comments to make.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to make.

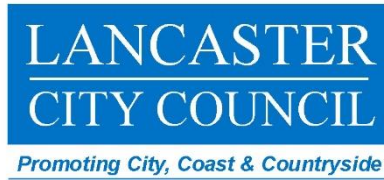
**BACKGROUND PAPERS**

None

**Contact Officer:** Amy Holland

**Telephone:** 01524 58 2205

**Email:** ajholland@lancaster.gov.uk



# **THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY AND PROCEDURE**

**Document Control**

|                           |                        |              |            |
|---------------------------|------------------------|--------------|------------|
| <b>Approved by:</b>       | Audit Committee        | <b>Date:</b> | 28/11/2018 |
| <b>Document location:</b> |                        |              |            |
| <b>Document owner:</b>    | Information Governance |              |            |
| <b>Review period:</b>     | 1 Year                 |              |            |
| <b>Next review date:</b>  | March 2026             |              |            |

**Revision History**

| <b>Version</b> | <b>Date</b> | <b>Reviewed By</b> | <b>Amendment Details</b>                           |
|----------------|-------------|--------------------|--|
| V 1.0          | 28/11/2018  | Audit Committee    | Approval of final draft                            |
| V2.0           | 27/11/2019  | Audit Committee    | Social Media Use and guidance approved             |
| V3.0           | 25/11/2020  | Audit Committee    | Approval of updated codes and IPCO recommendations |
| V3.0           | 23/03/2022  | Audit Committee    | Approved policy to remain as per last year.        |
| V4.0           | 22/11/2023  | Audit Committee    | Update to CHIS guidance reference and forms        |
| V5.0           | 03/2025     | Audit Committee    | Update   |

**CONTENTS**

|       |  |    |
|-------|--|----|
| 1     | Purpose.....   | 5  |
| 2     | Introduction .....   | 5  |
| 3     | Investigatory Powers Commissioner's Office.....  | 6  |
| 4     | Statement of Intent.....   | 6  |
| 5     | Part 1: An explanation of the Key Provisions of RIPA.....  | 6  |
| 5.1   | What is meant by 'surveillance'?.....  | 6  |
| 5.2   | When is surveillance "covert"? .....   | 7  |
| 5.3   | What is 'directed surveillance' or when is surveillance 'directed'? .....  | 7  |
| 5.4   | Is it for the purposes of a specific investigation or operation? .....   | 7  |
| 5.5   | Is it in such a manner that it is likely to result in the obtaining of private information about a person? ..... | 7  |
| 5.6   | What is meant by 'intrusive surveillance' or when is surveillance 'intrusive'? .....                             | 8  |
| 5.7   | Why is it important to distinguish between directed and intrusive surveillance? .....                            | 8  |
| 5.8   | What is a 'covert human intelligence source' (CHIS)?.....  | 9  |
| 5.9   | Use of Social Networking in investigations.....  | 9  |
| 6     | Part 2: General Authorisation Requirements .....   | 11 |
| 6.1   | The authorisation requirements .....   | 11 |
| 6.2   | Who can authorise the use of covert surveillance? .....  | 11 |
| 6.3   | Justification for covert surveillance .....  | 11 |
| 6.4   | CHIS – additional requirements .....   | 12 |
| 6.5   | Collateral Intrusion.....  | 12 |
| 6.6   | Local community sensitivities.....   | 13 |
| 7     | Part 3: Directed Surveillance Authorisation Requirements.....  | 13 |
| 7.1   | Applications for directed surveillance authorisation.....  | 13 |
| 7.2   | Duration of directed surveillance authorisations .....   | 13 |
| 7.3   | Reviews of directed surveillance authorisations.....   | 13 |
| 7.4   | Renewals of directed surveillance authorisations.....  | 13 |
| 7.5   | Cancellation of directed surveillance authorisations.....  | 14 |
| 7.6   | Ceasing of surveillance activity .....   | 14 |
| 7.7   | Urgent Cases.....  | 14 |
| 7.8   | Confidential Information.....  | 14 |
| 8     | Part 4: CHIS Authorisation Requirements .....  | 15 |
| 8.1   | Duration of CHIS authorisations .....  | 15 |
| 8.2   | Renewal of CHIS Authorisations.....  | 15 |
| 8.3   | CHIS Forms.....  | 15 |
| 8.4   | Vulnerable Adults .....  | 16 |
| 8.5   | Juvenile Sources .....   | 16 |
| 9     | Part 5: Other Authorisation Requirements .....   | 16 |
| 9.1   | Retention and destruction of the product of surveillance .....   | 16 |
| 9.2   | Acting on behalf of another .....  | 17 |
| 10    | Part 6: Practical Application of RIPA.....   | 17 |
| 10.1  | Who is affected by RIPA? .....   | 17 |
| 10.2  | 'General observation vs. 'systematic surveillance' .....   | 17 |
| 10.3  | 'Covert' vs. 'overt' surveillance.....   | 18 |
| 10.4  | CCTV .....   | 18 |
| 10.5  | Recognising a CHIS .....   | 18 |
| 10.6  | ".... establishing or maintaining a personal or other relationship....."   | 19 |
| 10.7  | Simple test purchase transactions .....  | 19 |
| 10.8  | Use of DAT recorders .....   | 19 |
| 10.9  | RIPA forms .....   | 20 |
| 10.10 | Role of Authoring Officers.....  | 20 |
| 10.11 | How to access RIPA documents?.....   | 20 |



REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY AND PROCEDURE

---

|                                 |    |
|---------------------------------|----|
| 11 Training and awareness ..... | 20 |
| Appendix 1: .....               | 21 |
| Appendix 2: .....               | 22 |

## 1 Purpose

The purpose of this policy is to:

- explain the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA);
- provide guidance and give advice to those Services undertaking covert surveillance; and
- ensure full compliance with RIPA and a Council-wide consistent approach to its interpretation and application.

## 2 Introduction

RIPA came into force on 25th September 2000 to regulate covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

Lancaster City Council is therefore included within the 2000 Act framework with regard to the authorisation of both Directed Surveillance and the use of Covert Human Intelligence Sources (CHIS)

In summary RIPA requires that when a Council undertakes "directed surveillance" or uses a "covert human intelligence source" these activities must only be authorised by an officer with delegated powers when the relevant criteria are satisfied. In addition, amendments contained in the Protection of Freedoms Act 2012, which took effect on the 1st November 2012, mean that local authority authorisations, and renewals of authorisations under RIPA, can only take effect once an order approving the authorization (or renewal) has been granted by a Justice of the Peace (district judge or lay magistrate) (JP).

Authorisation for both types of surveillance may be granted only where it is believed that the authorisation is necessary, and the authorised surveillance is proportionate to that which is sought to be achieved:

An authorisation may be granted only where the Authorising Officer believes that the authorisation is necessary in the circumstances of the particular case:

"For the purpose of preventing and detecting crime and disorder"

However, amendments which took effect on the 1st November 2012 mean that a local authority may only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months' imprisonment or are related to the underage sale of alcohol and tobacco. Local authorities cannot authorise directed surveillance for the purpose of preventing disorder unless this involves a criminal offence punishable by a maximum term of at least 6 months' imprisonment. These amendments are referred to as "the crime threshold".

The background to RIPA is the Human Rights Act 1998, which imposes a legal duty on public authorities to act compatibly with the European Convention on Human Rights (ECHR). Article 8(1) of the ECHR gives a right to respect for private and family life, the home and correspondence. However, this is qualified by Article 8(2) which provides that there shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national

security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others. RIPA was enacted so as to incorporate the provisions of Article 8(2) in English law, and to establish a means by which a public authority may interfere with privacy rights in accordance with the law. The objective is to give protection to the Council and any officer involved in an investigation. The scheme of RIPA is to state that an authorisation for covert surveillance shall be lawful for all purposes, but that such an authorisation may only be granted if the authorising officer believes that what is proposed is necessary and proportionate (see paragraphs 35 and 36 below).

If the authorisation procedures introduced by RIPA are followed, they afford protection to the Council and to investigating officers in respect of challenges to the admissibility of evidence, claims under the Human Rights Act 1998, and complaints to the Local Government Ombudsman or the Investigatory Powers Tribunal.

The Act is supported by statutory Codes of Practice, the most recent versions of which were published in 2014 and are available on the Council's intranet. These are the 'Covert Surveillance and Property Interference' Code of Practice and the 'Covert Human Intelligence Sources' (CHIS) Code of Practice. RIPA requires the Council to have regard to the provisions of the Codes which are admissible as evidence in criminal and civil proceedings and must be taken into account by any court or tribunal.

### **3 Investigatory Powers Commissioner's Office**

In May 2001 an Inspectorate was formed within the Office of Surveillance Commissioners (OSC) to keep under review the exercise and performance of the powers and duties conferred or imposed by RIPA. This Office was replaced in October 2017 and is now called the Investigatory Powers Commissioner's Office (IPCO) and is led by the Investigatory Powers Commissioner. The most recent Procedures and Guidance can be found on their [website](#).

RIPA requires public authorities to disclose or provide to the Investigatory Powers Commissioner all such documents and information as they may require for the purpose of enabling them to carry out their functions.

### **4 Statement of Intent**

The Council's policy and practice in respect of RIPA is to comply fully with the law and strike a fair and proportionate balance between the need to carry out covert surveillance in the public interest and the protection of an individual's fundamental right to privacy. The Council acknowledges that this policy is very much a living document and will be reviewed and updated in line with the best guidance and advice current at the time.

## **5 Part 1: An explanation of the Key Provisions of RIPA**

### **5.1 What is meant by 'surveillance'?**

'Surveillance' includes:

- a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- b) recording anything monitored, observed or listened to in the course of surveillance; and
- c) surveillance by or with the assistance of a surveillance device.

**5.2 When is surveillance “covert”?**

According to RIPA, surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place. If activities are open and not hidden from the subjects of an investigation, the 2000 Act framework does not apply.

**5.3 What is ‘directed surveillance’ or when is surveillance ‘directed’?**

Surveillance is directed if it is ‘covert’ but not ‘intrusive’ (see below) and is undertaken:

- a) for the purposes of a specific investigation or a specific operation;
- b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is specifically identified for the purposes of the investigation or operation); and
- c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.

Essentially, therefore, directed surveillance is any:

- (1) pre-planned surveillance activity;
- (2) undertaken covertly;
- (3) for the purposes of a specific investigation;
- (4) in such a way that is likely to result in obtaining private information about a person.

**5.4 Is it for the purposes of a specific investigation or operation?**

For example, are CCTV cameras which are readily visible to anyone walking around a Council car park covered?

The answer is no if their usage is to monitor the general activities of what is happening in the car park. If that usage changes at any time the 2000 Act may apply.

For example, if the CCTV cameras are targeting a particular known individual, and are being used in monitoring his activities, that has turned into a specific operation which will require authorisation.

**5.5 Is it in such a manner that it is likely to result in the obtaining of private information about a person?****5.5.1 ‘Private Information’**

In relation to a person, includes any information relating to his private or family life. Private information should be taken generally to include any aspect of a person’s private or personal relationship with others, including family and professional or business relationships. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person’s activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person’s activities for future consideration.

If it is likely that observations will not result in the obtaining of private information about a person, then it is outside the 2000 Act framework. However, the use of “test purchasers” may involve the use of covert human intelligence sources see **section 10.7**

**5.5.2 'Immediate response....'**

According to the Covert Surveillance Code of Practice, "covert surveillance that is likely to reveal private information about a person but is carried out by way of an immediate response to events such that it is not reasonably practicable to obtain an authorisation under the 2000 Act would not require a directed surveillance authorisation." For example, a police officer would not require an authorisation to conceal himself and observe a suspicious person that he came across in the course of a patrol.

However, if as a result of an immediate response, a specific investigation subsequently takes place, that brings it within the 2000 Act framework.

**5.6 What is meant by 'intrusive surveillance' or when is surveillance 'intrusive'?**

Surveillance becomes intrusive if the covert surveillance:

- a) is carried out in relation to anything taking place on any 'residential premises' or in any 'private vehicle'; or a "place for legal consultation; and
- b) involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device; or
- c) is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the vehicle, and the device is such that it **consistently provides information of the same quality and detail** as might be expected to be obtained from a device actually present on the premises or in the vehicle.

The definition of surveillance as intrusive relates to the location of the surveillance, and not to other consideration of the nature of the information that is expected to be obtained. Officers of the Council are unlikely to have access to any "place of legal consultation" but should seek advice from Legal Services on the detailed definition.

**5.6.1 'Residential premises'**

Is defined to include any premises that is for the time being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation. For example, the definition includes hotel rooms. It, however, does not include so much of any premises as constitutes any common area to which a person is allowed access in connection with his use or occupation of any accommodation. For example, a hotel lounge.

**5.6.2 'Private vehicle'**

Means any vehicle which is used primarily for private purposes, for example, for family, leisure or domestic purposes. It therefore does not include taxis i.e. private hire or hackney carriage vehicles.

**5.7 Why is it important to distinguish between directed and intrusive surveillance?**

It is imperative that officers understand the limits of directed surveillance or, put another way, recognise when directed surveillance becomes intrusive surveillance because **RIPA does not permit local authorities to undertake intrusive surveillance in any circumstances.**

## 5.8 What is a 'covert human intelligence source' (CHIS)?

According to RIPA a person is a CHIS if:

- a) he **establishes or maintains a personal or other relationship** with a person for the **covert purpose** of facilitating the doing of anything falling within paragraph b) or c).
- b) he covertly uses such a relationship to **obtain information** or provide access to any information to another person; or
- c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A CHIS is effectively an inside informant or undercover officer, someone who develops or maintains their relationship with the surveillance target, having the covert purpose of obtaining or accessing information for the investigator.

A **purpose is covert**, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

It is not clear whether '**information**' is restricted to private information in line with directed surveillance. The inference is there, but it is not clear. If in doubt, the Council's policy is to obtain an authorisation.

RIPA also makes reference to the use of a CHIS which refers to inducing, asking or assisting a person to engage in the conduct of a CHIS, or to obtain information by means of the conduct of such a CHIS.

## 5.9 Use of Social Networking in investigations

Officers often use the internet and social networking sites for the purposes of research and carrying out checks on the subjects of an investigation. Care must be taken to ensure that officers do not stray into a surveillance situation.

It should not be assumed that all monitoring of open social media sites is automatically immune from the need for an authorisation of some sort. Use of open media, in circumstances where there is a reasonable expectation of privacy, is likely to require an authorisation, particularly if the monitoring is intensive or for a prolonged period of time i.e. more than a week. The creation of fake or anonymous websites for investigation purposes is likely to require an authorisation. Entry on to chat rooms or closed groups for investigatory purposes is also likely to require authorisation unless the officer's identity is made clear from the outset.

Use of a 3rd party's identity requires both an authorisation and express written permission from that person. Whilst overt working in this way might avert the need for a surveillance authorisation officers should be aware that a CHIS situation could inadvertently arise.

It is expected that social media sites will generate significant amounts of sensitive information.

Sensitive material that is not relevant to an investigation should be disposed of quickly and safely. Any interaction between an investigator and the public via social media could inadvertently give rise to a CHIS situation. Investigators should generally avoid interaction

whilst monitoring social media sites and take advice should any uncertainty arise. The use of the internet and social media may require an authorisation in the following circumstances:

- (a). Any communications which are made with 3rd parties for the purpose of gathering evidence or intelligence about an offence in circumstances where the third party is not aware that the officer is working for the Council.
- (b) Accessing private pages of social media for the purpose of gathering evidence or intelligence about an offence or other matter subject to potential litigation.
- (c). Any communications between an officer and a 3rd party for the purpose of using that person to gather evidence or intelligence about a suspect.
- (d). Intensive monitoring of a suspect using social media over a sustained period of time particularly when this is used in connection with other methods of investigation.
- (e). The creation of a false personae or use of a third-party identity for investigation purposes.
- (f). Any direct interaction in any forum – open or closed – in which an officer seeks to elicit information, when they are not explicit about their real identity.

Repeated entry to social media sites and copying material for the purpose of an investigation is likely to engage RIPA. As a rule of thumb access to Facebook and other social media sites should be made via the Council's Facebook account as opposed to a private account. If there is any doubt the officer who is conducting this activity is advised to seek legal advice.

Please see **Appendix 2** for the process which is to be followed in relation to the use of social media.

The IPCO has issued the following guidance: -

- Whilst it is the responsibility of an individual to set privacy settings to protect unsolicited access to private information and even though data may be deemed published and no longer under the control of the author, it is unwise to regard it as "open source" or publicly available; the author has a reasonable expectation of privacy if access controls are applied. In some cases, data may be deemed private communication still in transmission (instant message for example). Where privacy settings are available but not applied the data may be considered open source and an authorisation is not usually required.
- Providing there is no warrant authorising interception in accordance with section 48 (4) of the 2000 Act, if it is necessary and proportionate for a public authority to breach covertly access controls, the minimum requirement is an authorisation for directed surveillance. An authorisation for the use and conduct of a CHIS is necessary if a relationship is established or maintained by a member of a public authority or by a person acting on its behalf (i.e. the activity is more than the mere reading of the site's content).
- It is not unlawful for a member of a public authority to set up a false identity, but it is inadvisable for a member of a public authority to do so for a covert purpose without authorisation. Using photographs of other persons without their permission to support the false identity potentially infringes other laws.
- A member of a public authority should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without authorisation, and without the consent of the person whose identity is used, and without considering the

protection of that person. The consent must be explicit (i.e. the person from whom consent is sought must agree (preferably in writing) what is and is not to be done.

## **6 Part 2: General Authorisation Requirements**

### **6.1 The authorisation requirements**

RIPA requires that prior authorisation is obtained by all local authorities using directed surveillance and CHIS techniques.

The authorising officer must give authorisations in writing and a separate authorisation is required for each investigation. Any authorisation must also be approved by an order from a JP. The application form for such approval is available on the Council's intranet, but advice should be sought from Legal Services on making an application for judicial approval.

Whilst according to RIPA, a single authorisation may combine two or more different authorisations (for example, directed surveillance and CHIS), the provisions applicable in the case of each of the authorisations must be considered separately. Because combining authorisations may cause confusion, officers must use separate forms for different authorisations.

The purpose of the authorisation is to comply with the Human Rights Act 1998 by providing lawful authority to carry out surveillance. This is why an authorisation must be obtained where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. If the surveillance is then actually carried out in accordance with the authorisation, it will be less open to challenge.

### **6.2 Who can authorise the use of covert surveillance?**

To give effect to RIPA, the Chief Officer Governance (Monitoring Officer) has been designated to authorise the use of directed surveillance and CHIS techniques in respect of external investigations and to sanction the use of such covert surveillance in respect of internal officer/Member investigations. This designation can be directly delegated to the Deputy Monitoring Officer. Any RIPA authorisation must be approved by an order from a JP. The JP will be provided with a copy of the authorisation, and with a partially completed judicial application/order form, which is available on the Council's intranet. Advice should be sought from Legal Services, who will contact the court to arrange the hearing date for the application.

It should also be noted that in accordance with the relevant Regulations, the designation of the Chief Officer Governance (Monitoring Officer) to sanction the use of RIPA regulated covert surveillance extends upwards to the Chief Executive.

Ideally, the Authorising Officer should not be responsible for authorising their own activities i.e. those operations/investigations in which they are directly involved. However, the Codes of Practice recognize that this may sometimes be unavoidable, especially in the case of small organisations, or where it is necessary to act urgently.

### **6.3 Justification for covert surveillance**

In order to use covert surveillance (both directed surveillance and a CHIS) lawfully the person granting the authorisation (i.e. the authorising officer) will have to demonstrate that the surveillance is both 'necessary' and 'proportionate' to meet the objective of the prevention or detection of crime or of prevention of disorder. The JP must also be satisfied that the use of the technique is necessary and proportionate.



### 6.3.1 The ‘necessity’ test

RIPA first requires that the authorising officer must be satisfied that the authorisation is necessary, in the circumstances of the particular case, for the prevention and detection of crime, or prevention of disorder. This is the only statutory ground on which local authorities are now able to carry out directed surveillance and use a CHIS. For the purposes of the authorisation of directed surveillance, the crime threshold referred to in paragraph 4 above must be met. Covert surveillance cannot be “necessary” unless, in that particular case, there is no reasonably available overt method of discovering the desired information.

### 6.3.2 The ‘proportionality’ test

Then, if the activities are necessary, the authorising officer must be satisfied that they are proportionate to what is sought to be achieved by carrying them out. This involves balancing the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is **excessive** in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

## 6.4 CHIS – additional requirements

In addition, there are further criteria in relation to CHIS authorisations. Namely, that specific arrangements exist to ensure that, amongst other things, the source is independently managed and supervised, that records are kept of the use made of the source, that the source’s identity is protected from those who do not need to know it, and that arrangements also exist to satisfy such other requirements as may be imposed by an Order made by the Secretary of State.

RIPA provides that an authorising officer must not grant an authorisation for the use or conduct of a source unless he believes that arrangements exist that satisfy these requirements. In this regard, the particular attention of authorising officers is drawn to paragraphs 7.15 – 7.21 of the CHIS Code of Practice concerning the security and welfare of a CHIS and the need to carry out a **risk assessment**.

**The Regulation of Investigatory Powers (Source Records) Regulations 2000 (SI No. 2725)** details the particulars that must be included in the records relating to each CHIS. The authorising officer should comment on all these aspects in his “comments” box, as he may have to justify the fact that he has taken account of these requirements and made an appropriate provision to comply.

### 6.4.1 The Covert Human Intelligence Sources (Criminal Conduct) Act 2021

This new piece of legislation amends RIPA to allow some agencies to authorise someone that they are deploying as a CHIS to commit crimes in the course of, or otherwise in connection with the conduct of Covert Human Intelligence Source. This act is mentioned here to confirm that Local Authorities are **NOT** one of the relevant authorities or agencies that can authorise this kind of conduct.

## 6.5 Collateral Intrusion

Before authorising surveillance, the authorising officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (particularly when considering the proportionality of the surveillance). This is referred to as collateral inclusion, and the following should be considered:

- I. measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the privacy of those not directly connected with the investigation or operation;
- II. an application for an authorisation should include an assessment of the risk of any collateral intrusion and the authorising officer should take this into account, when considering the proportionality of the surveillance;
- III. those carrying out the surveillance should inform the authorising officer if the investigation or operation unexpectedly interferes with the privacy of individuals who are not covered by the authorisation; and
- IV. when the original authorisation may not be sufficient, consideration should be given to whether the authorisation needs to be amended and re-authorised or a new authorisation is required.

## **6.6 Local community sensitivities**

Any person applying for or granting an authorisation will also need to be aware of what the Codes of Practice refer to as “any particular sensitivities in the local community” where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance.

## **7 Part 3: Directed Surveillance Authorisation Requirements**

### **7.1 Applications for directed surveillance authorisation**

Applications for authorisation to carry out directed surveillance must be made in **writing** using the **standard Application Form** and judicial approval form available on the Council’s intranet.

### **7.2 Duration of directed surveillance authorisations**

A written authorisation granted by an authorising officer, and approved by a JP, will cease to have effect (unless renewed) at the end of a period of **three months** beginning with the day on which it took effect.

### **7.3 Reviews of directed surveillance authorisations**

Regular reviews of authorisations should be undertaken to assess the need for the surveillance to continue. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides access to ‘**confidential information**’ (see below) or involves collateral intrusion.

Authorisations must be reviewed by the authorising officer therefore **at least monthly** using the **standard Review Form** available on the Council’s intranet to ensure that they remain in force only for so long as it is necessary.

### **7.4 Renewals of directed surveillance authorisations**

If at any time before an authorisation would cease to have effect, the authorising officer considers it necessary for the authorisation to continue for the purpose for which it was given, he may renew it in writing for a **further period of three months** using the **standard Renewal Form** available on the Council’s intranet. The same conditions attach to a renewal of

surveillance as to the original authorisation. An order from a JP is required for a renewal in the same way as for an authorisation.

A renewal takes effect at the time at which, or day on which the authorisation would have ceased to have effect but for the renewal. An application for renewal should not be made until **10 working days** before the authorisation period is drawing to an end. However, where renewals are timetabled to fall outside of court hours, for example during a holiday period, care must be taken to ensure that the renewal is completed ahead of the deadline.

Any person who would be entitled to grant a new authorisation can renew an authorisation, but an order from a JP is also required. Authorisations may be renewed more than once, provided they continue to meet the criteria for authorisation.

### **7.5 Cancellation of directed surveillance authorisations**

The authorising officer who granted or last renewed the authorisation **must** cancel it using the **standard Cancellation Form** available on the Council's intranet if he is satisfied that the directed surveillance no longer meets the criteria upon which it was authorised. Authorisations should not be allowed to simply expire.

Where the authorising officer is no longer available, this duty will fall on the person who has taken over the role of authorising officer or the person who is acting as authorising officer (**see the Regulation of Investigatory Powers (Cancellation of Authorisations) Order 2000; SI No: 2794**).

If the authorising officer is on sick or annual leave or is otherwise unable to cancel the authorisation for good reason, any other officer designated to grant authorisations may cancel the authorisation.

### **7.6 Ceasing of surveillance activity**

As soon as the decision is taken that directed surveillance should be discontinued, the instruction must be given to those involved to stop all surveillance of the subject(s). The date and time when such an instruction was given should be recorded in the notification of cancellation where relevant (see standard cancellation form).

### **7.7 Urgent Cases**

A JP may consider an authorisation out of working hours in exceptional cases. This must be arranged through the court, and two completed judicial application/order forms must be provided so that one can be retained by the JP.

### **7.8 Confidential Information**

RIPA does not provide any special protection for 'confidential information'.

The Codes of Practice, however, do provide additional safeguards for such information. Confidential information consists of matters subject to legal privilege; confidential personal information (information relating to the physical or mental health or spiritual counselling of a person who can be identified from it) or confidential constituent information (relating to communications between a Member of Parliament and a constituent in respect of constituency matters) or confidential journalistic material (material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence). Further details about these categories of confidential information are set out in the Codes themselves, and advice can be obtained from Legal Services.

Special care should be taken if there is a likelihood of acquiring any confidential information. Such authorisations should only be granted in exceptional and compelling circumstances with full regard to the proportionality issues such surveillance raises.

In accordance with the provisions of the Code, in cases where through the use of the surveillance it is likely that confidential information will be acquired, the use of surveillance must be authorised by the Chief Executive.

If, exceptionally, any Council investigation is likely to result in the acquisition of confidential material, officers are required to obtain the prior approval of Legal Services before applying for an authorisation.

If confidential material is acquired during the course of an investigation, the following general principles apply:

- confidential material should not be retained or copied unless it is necessary for a lawful purpose;
- confidential material should be disseminated only where an officer (having sought advice from the Legal Services Manager) is satisfied that it is necessary for a lawful purpose;
- the retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information; and confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

## **8 Part 4: CHIS Authorisation Requirements**

Generally speaking, the authorisation requirements for directed surveillance also apply to a CHIS authorisation. There are, however, some variations, and the crime threshold as set out in paragraph 4 does not apply to a CHIS authorisation.

### **8.1 Duration of CHIS authorisations**

A written CHIS authorisation granted by an authorising officer and approved by a JP, will cease to have effect (unless renewed) at the end of a period of **twelve months** beginning with the day on which it took effect.

### **8.2 Renewal of CHIS Authorisations**

An authorising officer may renew a CHIS authorisation in writing **for a further period of twelve months**. This is subject to approval from a JP.

The same conditions attach to a renewal of surveillance as to the original authorisation. However, before renewing an authorisation for the use or conduct of a CHIS, officers are required to carry out a review of the use made of that source, the tasks given to that source and the information so obtained.

### **8.3 CHIS Forms**

Standard **CHIS Application; Review; Renewal, and Cancellation Forms**, and the **Judicial Approval form** are available on the Council's intranet. Officers are required to use these forms in the appropriate circumstances.

## 8.4 Vulnerable Adults

In accordance with the CHIS Code of Practice, a '**vulnerable person**' should only be authorised to act as a CHIS in the most exceptional circumstances and must be authorised by the **Chief Executive**. Legal advice should always be sought. A 'vulnerable individual' is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation.

## 8.5 Juvenile Sources

Special safeguards also apply to the use or conduct of juvenile sources; that is sources under the age of 18 years. Legal advice should always be sought. On no occasion should the use or conduct of a CHIS under 16 years of age be authorised to give information against his parents or any person who has parental responsibility for him. In other cases, authorisations should not be granted unless the special provisions contained within **The Regulation of Investigatory Powers (Juveniles) Order 2000 (SI No. 2793)** are satisfied. Authorisations for juvenile sources must be authorised by the **Chief Executive** the duration of such an authorisation is **one month only** instead of the usual twelve months.

## 9 Part 5: Other Authorisation Requirements

The Codes of Practice provide that a centrally retrievable record of all authorisations should be held by each public authority and regularly updated whenever an authorisation is granted, reviewed, renewed or cancelled. The record should be made available to the relevant Commissioner or an Inspector from the Investigatory Powers Commissioner's Office (IPCO), upon request. These records will be retained for a period of at least three years from the ending of the authorisation and will comprise of the information prescribed in the Codes.

The Council will also maintain a record of specified documentation relating to authorisations as further required by the Codes.

To give effect to these requirements The Authorising Officer is required to e-mail all completed RIPA forms to the Monitoring Officer within two working days of the grant; review; renewal; or cancellation of the authorisation so that the Council's central recording and monitoring systems can be kept up to date.

The Authorising Officer should however ensure that original RIPA forms are kept on the investigation case file and stored securely.

In addition, the Monitoring Officer will report periodically to Audit Committee with the register of authorisations to enable them to be satisfied that RIPA authorisation requirements are being complied with.

### 9.1 Retention and destruction of the product of surveillance

Where the product of surveillance could be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with established disclosure requirements for a suitable period, commensurate to any subsequent review.

The Codes of Practice draw particular attention to the requirements of the code of practice issued under the **Criminal Procedure and Investigations Act 1996**. This requires that material which is obtained in the course of a criminal investigation and which may be relevant to the investigation must be recorded and retained.

Where material is obtained by surveillance, which is **wholly unrelated** to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, it should be **destroyed immediately**. Consideration of whether or not unrelated material should be destroyed is the responsibility of the authorising officer.

There is nothing in RIPA which prevents material obtained from properly authorised surveillance from being used in other investigations. Each Service must ensure that arrangements are in place for the handling, storage and destruction of material obtained through the use of covert surveillance. Authorising officers must ensure compliance with the appropriate data protection requirements relating to the handling and storage of material.

## 9.2 Acting on behalf of another

In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by the Police with the use of the Council's CCTV systems, an authorisation must be obtained by the Police.

## 10 Part 6: Practical Application of RPIA

### 10.1 Who is affected by RIPA?

As the Council has already recognised in respect of the application of the **Human Rights Act 1998**, RIPA will impact on the enforcement activities of all the Council's regulatory Services, but, in the case of authorisations for directed surveillance, the crime threshold referred to in paragraph 4 must be met. This means that directed surveillance will no longer be able to be used in some investigations where it was previously authorised, e.g. dog fouling. However, this does not mean that it will not be possible to investigate these matters with a view to stopping offending behaviour. Routine patrols, observation at trouble "hotspots", immediate response to events and overt use of CCTV are all techniques which do not require RIPA authorisation.

A public authority may only engage RIPA when in performance of its "core functions" in contrast to the "ordinary functions" which are undertaken by all authorities (e.g. employment and contractual matters). Accordingly, the disciplining of an employee is not a core function, although related criminal investigations may be.

### 10.2 'General observation vs. 'systematic surveillance'

According to the Covert Surveillance Code of Practice "General observation duties of many law enforcement officers, and other public authorities do not require authorisation under the 2000 Act". For example, police officers will be on patrol to prevent and detect crime, maintain public safety and prevent disorder or trading standards or HM Customs and Excise officers might covertly observe and then visit a shop as part of their enforcement function to verify the supply or level of supply of goods or services that may be liable to a restriction or tax. Such observation may involve the use of equipment to merely reinforce normal sensory perception, such as binoculars, or the use of cameras, where this does not involve systematic surveillance of an individual.

The clear view expressed therefore is that usually low-level activity such as general observation will not be regulated under the provisions of RIPA provided it does not involve the systematic surveillance of an individual. That said, the determination of what constitutes 'general observation' on the one hand and 'systematic surveillance' on the other is a question

of fact, the determination of which is not always straightforward and depends on the particular circumstances of an individual case.

In practice, the issue will turn on whether the covert surveillance is likely to result in obtaining any information in relation to a person's private or family life, whether or not that person is the target of the investigation or operation. If in doubt you are strongly recommended to obtain an authorisation.

### 10.3 'Covert' vs. 'overt' surveillance

In accordance with the Council's usual practice, wherever possible and appropriate Services should give advance warning of their intention to carry out surveillance. This is because the provisions of RIPA regulate the use of covert surveillance only. In some cases, a written warning may itself serve to prevent the wrongdoing complained of.

However, in order to properly put a person on notice that he is or may be the subject of surveillance, the notification letter must be couched in sufficiently precise terms so that he knows what **form** the surveillance will take (i.e. record of noise; photographs etc.). In fact, in line with directed surveillance requirements, notification letters should state **how long** the surveillance is likely to last (which should not be longer than three months); the necessity for the surveillance should be **reviewed at least monthly**; if it is necessary to continue the surveillance beyond the initial specified period a **renewal letter** should be sent to the 'noisy' neighbour, for example, and he should be informed when the surveillance has ceased.

It is also important to instruct the investigating officer not to exceed the limits of the 'surveillance' he has been asked to carry out.

Whilst it is accepted that the definition of 'covert' set out in RIPA could be interpreted very broadly, it is suggested that whether the surveillance activity is covert or not depends on the investigator's intention and conduct. If there is some element of **secrecy** or **concealment** the activity is likely to be covert.

Wherever possible or appropriate, officers should be **open; obvious and overt**.

### 10.4 CCTV

Overt CCTV systems used for general purposes are not usually regulated by RIPA (but CCTV in general is regulated by the Data Protection Act 2018, the GDPR 2016/679 and the CCTV Code of Practice issued by the Information Commissioner). If, however, CCTV systems are used to **track individuals** or **specific locations** and the surveillance is **pre-planned** (i.e. not an immediate response to events or circumstances which by their very nature, could not have been foreseen) a **directed surveillance** authorisation must be obtained.

### 10.5 Recognising a CHIS

The provisions of RIPA are not intended to apply in circumstances where members of the public volunteer information to the police or other authorities, as part of their normal civic duties, or to contact numbers set up to receive information (such as Crime stoppers, Customs Confidential, the Anti-Terrorist Hotline, or the Security Service Public Telephone Number). Members of the public acting in this way would not generally be regarded as sources.

However, when an informant gives repeat information about a suspect or about a family, and it becomes apparent that the informant may be obtaining the information in the course of a family or neighbourhood relationship, this probably means that the informant is a CHIS, to

whom a duty of care is owed if the information is then used, even though he or she has not been tasked by the authority to obtain information on its behalf.

The use of professional witnesses to obtain information and evidence is clearly covered.

#### **10.6 “.... establishing or maintaining a personal or other relationship.....”**

Whilst the meaning of “...establishing or maintaining a personal or other relationship...” is not clear and is open to interpretation, it is suggested that there has to be some measure of **intimacy** beyond the ordinary conversation. Only if an officer, for example, establishes some measure of **trust and confidence** with the person who is the subject of the surveillance will he be establishing or maintaining a personal or other relationship.

Usually a simple enquiry or a request for general information (i.e. a request for information which would be supplied to any member of the public who enquired) not obtained under false pretences is not likely to be regulated by RIPA.

#### **10.7 Simple test purchase transactions**

Whether or not test purchase transactions are regulated by RIPA depends on the circumstances and in particular the conduct of the person carrying out the surveillance. Usually simple covert test purchase transactions carried out under existing statutory powers where the officer involved does not establish a personal or other relationship will not require a CHIS authorisation.

Officers should, however, be wary of the law on ‘**entrapment**’. Whereas officers can in appropriate circumstances, present a seller or supplier, for example, an opportunity which he could act upon, officers cannot ‘incite’ the commission of an offence i.e. encourage, persuade or pressurise someone to commit an offence.

#### **10.8 Use of DAT recorders**

If it is appropriate to do so, Environmental Health officers, and to a much lesser extent Council Housing officers, use a recorder to monitor noise levels (usually at residential premises) following noise nuisance complaints. Whilst the recorder is installed by officers, the complainant decides when to switch the recorder on and off.

The covert recording of suspected noise nuisance where the intention is only to record excessive noise levels from adjoining premises, and the recording device is calibrated to record only excessive noise levels, may not require an authorisation, as the perpetrator would normally be regarded as having forfeited any claim to privacy.

That said, a Digital Audio Tape (DAT) recorder is a sophisticated piece of monitoring equipment and if used covertly may constitute directed surveillance. In general, a letter is sent to the person who is to be the subject of the surveillance, and this should mean that subsequent surveillance is overt, and an authorisation will not as a matter of course be required. However, if there is any doubt as to whether surveillance is covert, e.g. if any longer than a few weeks has passed since the alleged perpetrator was informed that monitoring might be carried out, and if it is likely that private information will be obtained, then an authorisation should be sought.



## **10.9 RIPA forms**

It is imperative that RIPA forms are completed in full whenever RIPA regulated surveillance activity is planned. The information given must be specific and detailed; must relate to the particular facts of an individual case (i.e. avoid standard wording if at all possible) and must demonstrate that a proper risk assessment has been carried out. Both those who apply for an authorisation and the Authorising Officer should refer to this policy and to the relevant Code of Practice in completing the relevant form,

## **10.10 Role of Authoring Officers**

The Authorising Officer is required to ask themselves: “Have I got sufficient information to make an informed decision as to whether or not to authorise surveillance activity on the particular facts of this case?” and must recognise that RIPA imposes new and important obligations on those Services affected by RIPA

Authorising officers must be satisfied that there are adequate checks in place to ensure that the surveillance carried out is in line with what has been authorised. Such monitoring should be properly documented as well as the decision-making process in general.

Officers are strongly recommended to read this policy in conjunction with the Covert Surveillance and CHIS Codes of Practice which provide supplementary guidance.

If the surveillance is not properly authorised, the protection offered by RIPA will be lost.

## **10.11 How to access RIPA documents?**

RIPA itself; explanatory notes to RIPA, the Covert Surveillance and CHIS Codes of Practice; RIPA statutory instruments and other RIPA documents are available on the Home Office web-site: <https://www.gov.uk/government/collections/ripa-codes>

Relevant RIPA documents as well as this policy and the Council's standard forms have also been posted on the Council's intranet.

## **11 Training and awareness**

It is the policy of the Council to provide adequate training for all its employees so that they are aware of the RIPA provisions and know when certain activities are required to be authorised. Authorising Officers will be trained in the proper use of their powers as with investigating officers. The Council seeks to ensure that all staff likely to be engaged in surveillance work and the use of CHIS understand the regulatory framework and know which officers are authorised. Investigating Officers and the Authorising Officer

Training and refresher training shall be provided on a regular basis.

## **Appendix 1:**

### **Directed surveillance forms**

**Application** for the authorisation of directed surveillance:  
[RIPA-application-directed-surveillance.doc \(sharepoint.com\)](#)

**Review** of directed surveillance authorisation:  
[RIPA-review-directed-surveillance.doc \(sharepoint.com\)](#)

**Renewal** of directed surveillance authorisation:  
[RIPA-renewal-directed-surveillance.doc \(sharepoint.com\)](#)

**Cancellation** of a directed surveillance authorisation:  
[RIPA-cancellation-directed-surveillance.doc \(sharepoint.com\)](#)

### **CHIS (Covert Human Intelligence Source) forms**

**Application** for authorisation of use or conduct of a CHIS:  
[chis-application.doc \(sharepoint.com\)](#)

**Review** of a CHIS authorisation:  
[chis-review.doc \(sharepoint.com\)](#)

**Renewal** of a CHIS authorisation:  
[chis-renewal.doc \(sharepoint.com\)](#)

**Cancellation** of a CHIS authorisation:  
[chis-cancellation.doc \(sharepoint.com\)](#)

**Judicial Approval Form**  
[JP-approval-order-form.doc \(sharepoint.com\)](#)

**Appendix 2:****PROCESS TO BE FOLLOWED WHEN CONSIDERING USING SOCIAL NETWORKING SITES IN INVESTIGATIONS OR TO GATHER EVIDENCE.**

Where an officer considers it necessary to view a social networking site to investigate an allegation or to gather information the following process is to be followed:

1. Officers must not use their own personal or private account when accessing social networking sites for investigations/evidence gathering, only Council accounts should be used.
2. Officers may access the main page of an individual's profile to take an initial view as to whether there is any substance to the allegation of the matter being investigated and is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation.
3. Officers are required to keep a log recording when social networking sites are viewed for investigations/evidence gathering. Each viewing of a company or individual's social networking site must be recorded on the log. This is to enable the Council to monitor the use of these sites for investigations/evidence gathering and use this information to review policies and guidance. See attached excel template below.
4. If it is considered that there is a need to monitor a company's or individual's social networking site, for example by systematically collecting and recording information about a particular person or group, then the officer must refer the matter to their Head of Service for consideration as to whether a RIPA authorisation from the Magistrates Court may be required. If officers are in any doubt as to whether an authorisation is required, they should seek advice from the Information Governance Manager or Authorising Officer (Director for Corporate Services), before continuing to access a social networking site.
5. If the offence being investigated falls under RIPA, a formal RIPA application must be completed, authorised by the Council's Authorising Officer and then approved by a Magistrate.
6. If the offence being investigated falls outside RIPA, a 'Non-RIPA' form must be completed and forwarded to the Authorising Officer.
7. Officers also need to be aware that any evidence captured as part of a criminal investigation will need to comply with the relevant legislation (The Police and Criminal Evidence Act 1984, Criminal Procedure Rules 2018 and the Criminal Procedure and Investigations Act 1996) and advice should be sought from the Council's Legal Services Manager.
8. A copy of all forms should be forwarded to the Council's Information Governance Manager so that a central record of RIPA requests and Authorisations can be kept.



Social Media Access  
Log v1.0.xlsx

**AUDIT COMMITTEE**

**19 March 2025**

**Review of the Council’s Counter Fraud Policies**

**Report of Chief Finance Officer**

| PURPOSE OF REPORT                              |
|--|
| Review of the Council’s Counter Fraud Policies |
| This report is public                          |

**RECOMMENDATIONS**

- (1) That the Audit Committee approve the counter fraud policies within their remit, namely.
  - a. Anti-Fraud, Corruption and Bribery Policy,
  - b. Money Laundering, and
  - c. Sanctions Policy
- (2) The Audit Committee note Council’s wider policies and arrangements in regard to anti fraud and corruption

**1.0 Background**

- 1.1 The Audit Committee’s Terms of Reference state they have responsibility to “monitor counter fraud, actions and resources and review the assessment of fraud risks and potential harm to the Council from fraud and corruption”. In order to enable the Committee to discharge this responsibility this paper brings together the applicable policies and procedures from across the Council. It asks the Audit Committee to approve those policies in accordance with its terms of reference and consider those that sit outside of its remit.
- 1.2 Council has a wide range of established counter fraud policies which sits alongside and are supported by a number Council documents, including
  - Raising Concerns Policy
  - Officers and Members Codes of Conduct.
  - Contract Procedure Rules
  - Financial Procedure Rules

## **2.0 Policies Requiring Formal Approval by Audit Committee**

### Anti-Fraud, Corruption and Bribery Policy (Appendix A)

2.1 This policy is concerned with acts of theft, fraud, bribery or corruption committed against the Council employees, elected Members or contractors in the course of their duties. In addition, the policy also addresses actions of external individuals or organisations. It contains a number of key elements including

- Definitions
- Scope
- Objectives
- Responsibilities
- Deterrence & Prevention
- Raising Concerns and,
- Investigations

2.2 The Policy was last approved by the Audit Committee in 2023 and has been reviewed by the Corporate Fraud Manager and the s151 Officer with one minor addition to a paragraph and the inclusion of the Investigatory Powers Act (IPA) 2016. The IPA builds on, and supersedes parts of, the Regulation of Investigatory Powers Act (RIPA) 2000. The IPA has granted law enforcement and public authorities updated powers to access communications data for legitimate purposes.

**2.3 The Audit Committee is recommended to approve the Anti-Fraud, Corruption and Bribery Policy in accordance with its Terms of Reference**

### Anti Money Laundering Policy (Appendix B)

2.4 The Anti-Money Laundering Policy attached at Appendix B has been developed from best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Policy describes: -

- what money laundering is.
- the obligations of the Council.
- disclosure procedures.
- the role of the MLRO in disclosures.
- reporting standards and related procedures; and
- policy review arrangements

2.4 Committee last reviewed and approved the policy at its meeting in March 2023, where it agreed to move the policy to a 2-year review cycle. Since that date there has been one update to The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, this was by way of The Money Laundering and Terrorist Financing (Amendment) Regulations 2023, which came into force on the 10<sup>th</sup> January 2024 (<https://www.legislation.gov.uk/uksi/2023/1371/made>).

2.5 This amendment relates to Regulation 35 and inserts a further section (3A) further dealing with issues of enhanced customer due diligence for politically exposed persons (PEP), both domestic and non-domestic PEP.

2.6 It is considered unlikely that the Council would deal with a PEP however the policy has been updated to reflect the due diligence requirements to consider factors such as the sources of wealth and involvement in political scandals

2.7 **The Audit Committee is recommended to approve the Anti Money Laundering Policy in accordance with its Terms of Reference**

Sanctions Policy (Appendix C)

2.8 The Sanctions Policy is intended to cover any form of fraud that the Council may consider necessary to investigate. The Council will consider taking enforcement action against any individual or organisation which commits a criminal offence against the Council,(including criminal conduct related to the systems administered by the Authority or any of its partners) or the wider local community. It sets out a range of sanctions available to the Council ranging from a simple caution to prosecution

2.9 Areas in which the Council faces the risk of fraud include, but not limited to:

- Business Rates
- Council Tax
- Council Tax Reduction Scheme
- Employee Fraud
- Grants
- Insurance
- Mandate Fraud
- Procurement
- Social Housing Fraud

2.10 The Sanctions Policy is subject to annual review has been considered by the Head of Revenues & Benefits and the s151 Officer with no amendments proposed

2.11 **The Audit Committee is recommended to approve the Sanctions Policy in accordance with its Terms of Reference**

**3.0 Policies for Consideration by the Audit Committee**

Raising Concerns Policy (Appendix D)

3.1 The responsibility for formal adoption of the Council's Raising Concerns Policy (formally Whistleblowing Policy) is with the People and Organisational Development Committee (P&OD). The policy was last formally approved in 2023 with minor amendments be made by the Monitoring Officer to ensure it remains up to date.

3.2 The policy attached at Appendix D communicates a staff member's right to make certain disclosures about wrongdoings within the Council without fear of reprisals. The policy explains which disclosures are protected and how Council staff members can make a protected disclosure.

3.3 This policy aims to:

- Encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about misconduct or malpractice.

- Provide avenues to raise those concerns internally and receive feedback on any action taken, and to provide information about how, in exceptional circumstances, matters can be raised externally.
- Reassure staff that genuine concerns will be taken seriously and in the interests of all concerned will be dealt with properly, quickly and discreetly.
- Ensure that a response to concerns is provided and how to pursue them if you are not satisfied.
- Provides assure that as much as possible will be done to protect confidentiality, and that individuals protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith.

3.4 The Audit Committee is asked to note the Councils Raising Concerns Policy

#### Gifts & Hospitality

3.5 Officers or Elected Members should not normally accept gifts or hospitality. While gifts or hospitality can be offered for benign reasons it is important for each individual's reputation, the reputation of the Council and for the reassurance of the public that decision-making is not being improperly influenced, that gifts or hospitality are not routinely accepted. The arrangements around accepting or providing gifts and hospitality for both Officers and elected Members is contained within the Councils Constitution.

#### [Constitution February 2025.pdf](#)

- Part 4 Section 1 Sub Section 8 Officers' Code of Conduct
- Part 4 Section 2 Sub Section 13 Councillors' Code of Conduct

3.6 There is the recognition however that the value and nature may be trivial, or refusal may cause offence. Both Codes of Conduct sets the standard for accepting or receiving any form of gift or hospitality in order to avoid any possible suggestion of improper influence. It provides examples of the types of gifts and hospitality that may be considered acceptable and also those which are not and the required for reporting either offers or acceptance of gifts and hospitality and the financial context in which this occurs.

#### Conflicts of Interest

3.7 The Council's policy on Conflicts of Interest aims to ensure that its Officers and Members are treated equitably, they are protected against any unfounded allegations of impropriety and are able to act without discrimination of any kind in the conduct of their duties. It is important, that there is an openness in the declaration of all interests that could have an influence on conduct and/or decision making and that public confidence in the Council is maintained

3.8 Similar to Gifts & Hospitality the arrangements for declaration of personal interests for both Officers and Members is contained within the Councils Constitution. [Constitution February 2025.pdf](#)

- Part 4 Section 1 Sub Section 6 Officers' Code of Conduct
- Part 4 Section 2 Sub Sections 8 & 9 Councillors' Code of Conduct

- 3.9 All holders of Politically Restricted Posts are required to make an annual written declaration for inclusion in a central register of any personal interests, whether financial or otherwise, which could conceivably conflict with the Council's interests, including nil returns. On election to the Council Members are also required to notify the Monitoring Officer of any interests to outside bodies including business, charities or other not for profit organisations to which they have management or control. These details are also held on a central register with the onus on Members to inform the Council of any revisions
- 3.10 Amendments to the Constitution is a function of Full Council and so is outside of the Audit Committee's terms of reference. The Committee is therefore asked to note the constitutional requirement around Gifts & Hospitality and Conflict of Interest

#### **4.0 Additional Policies, Procedures & Rules**

- 4.1 In addition to the policies and procedures discussed above the Councils has a number of other policies, procedures and rules exist to protect its employees, Members and the Council as a whole.

##### Contract Procedure Rules

- 4.2 The Councils Contract Procedure Rules have recently been updated to reflect a significant update in line with the requirements of the Procurement Act 2023 (the Act) which received Royal Assent on 26 October 2023 and is scheduled to come into force on 24 February 2025.
- 4.3 The rules contain specific guidance on conflicts of interest assessment and due diligence to be carried out on suppliers as well as the need for personal disclosures from Officers. In addition, there are safeguards embedded around areas such as tendering and award of contracts.

##### Financial Procedure Rules

- 4.4 The Financial procedure rules form part of the Council's wider Budget & Policy Framework are designed to establish the fundamental controls and framework for financial management. They are accompanied by more detailed guidance in specific areas such as VAT.
- 4.5 The above documents are subject to approval by the Audit Committee, with the Committee's last approvals, being

Financial Procedure Rules: 27<sup>th</sup> November 2024

[Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council](#)

Contract Procedure Rules: 30<sup>th</sup> January 2025

[Agenda for Audit Committee on Thursday, 30th January 2025, 6.00 p.m. - Lancaster City Council](#)

- 4.6 The Committee is only asked to note the of these procedure rules within the Council's wider anti-fraud and corruption framework.



**5.0 Details of Consultation**

- 5.1 For those policies requiring formal approval by the Audit Committee consultations have taken place with the Council's Corporate Fraud Manager, Legal Services, Head of Revenues & Benefits and the s151 Officer

**6.0 Options and Options Analysis**

- 6.1 The options available are to either agree the attached policies or recommend alternative wording if necessary.

**7.0 Conclusion**

- 7.1 It is timely and appropriate to refresh the Council's counter fraud policies which assists the Council in demonstrating that arrangements are in place that are designed to promote and ensure probity and propriety in the conduct of its business.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable.

**FINANCIAL IMPLICATIONS**

None directly arising from this report.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

**LEGAL IMPLICATIONS**

None directly arising from this report.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

**Contact Officer:** Paul Thompson

**Telephone:** 01254 582603

**E-mail:** pthompson@lancaster.gov.uk

## LANCASTER CITY COUNCIL

### ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

#### 1.0 Definitions

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines Fraud as “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”. In the UK, the term fraud is used to describe many acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

The Fraud Act 2006 further defines fraud in three classes:

- False representation
  - Failure to disclose information where there is a legal duty to do so
  - Abuse of position
- 1.2 The Theft Act 1968 defines Theft as “a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”
- 1.3 CIPFA defines Corruption as the “offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person”. The United Nations’ defines it as an umbrella term for a number of delinquent behaviours, including: embezzlement; fraud; bribery; cronyism and nepotism; money laundering; extortion; abuse of position; and improper political funding.
- 1.4 CIPFA defines Bribery as “an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.”
- 1.5 This policy covers all the above and the Council acknowledges and will be vigilant to the fact that that, within these definitions, fraud, theft, bribery and corruption can take many diverse forms.
- 1.6 This policy is concerned with:  
Acts committed against the Council by individuals or organisations;
- Acts committed by the Council’s employees, elected Members or contractors in the course of their duties (guidance on issues arising from the private and personal activities of employees which may impinge on the performance of their duties or risk bringing discredit to the Council is contained in the Employees code of conduct and the Members’ code of conduct).

#### 2.0 Scope of the Policy

- 2.1 This Policy applies to all employees, contractors and elected Members of the Council and places expectations on the Council’s partners and all individuals and organisations providing services for the Council.

- 2.2 This Policy sits alongside and is supported by the following Council documents:

- Raising Concerns Policy
- Anti-Money Laundering Policy
- Counter Fraud Sanction Policy
- Code of Corporate Governance
- Officers and Members Codes of Conduct.

### 3.0 Commitment and Strategy

- 3.1 Lancaster City Council is committed to delivering high quality, value for money services in a fair, open, honest and accountable manner. The Council is determined to protect itself and the public from all forms of fraud, theft, corruption and bribery, including any irregularity and the improper use or misappropriation of the Council's property or resources both from within and outside the Council.
- 3.2 In support of this commitment, the Council's strategy is to rigorously maintain and develop anti-fraud and corruption arrangements with the following objectives:

| Objective   | Key Characteristics   |
|---|---|
| <b>Developing a strong anti-fraud and corruption culture</b>                    | <ul style="list-style-type: none"> <li>• A strong ethical framework – clear rules and procedures</li> <li>• Effective Leadership</li> <li>• Maintaining public confidence in the Council</li> <li>• A sound system of internal control</li> </ul>   |
| <b>Deterring and Preventing Fraud and Corruption</b>                            | <ul style="list-style-type: none"> <li>• Continuous improvement of arrangements to combat fraud and corruption</li> <li>• Monitoring of potential exposure to fraud and corruption and acting accordingly</li> <li>• Ensuring the integrity of staff appointed</li> <li>• Consultants, contractors and suppliers acting with integrity</li> <li>• Ensuring adequate anti-fraud and corruption arrangements within partnerships</li> </ul> |
| <b>Raising Awareness</b>  | <ul style="list-style-type: none"> <li>• Ensuring elected Members and officers understand the rules, regulations, policies, strategies and expectations placed upon them</li> <li>• Elected Members and employees understand the risks and recognise their ability to protect the organisation against fraud and corruption</li> </ul>  |
| <b>Maintaining effective reporting arrangements and preventing further loss</b> | <ul style="list-style-type: none"> <li>• Ensuring that all genuine suspicions/concerns are raised</li> <li>• Maintaining effective reporting arrangements</li> <li>• Informing external parties where appropriate</li> <li>• Minimising losses once a report has been received</li> </ul>   |
| <b>Facilitating effective investigations and recovery</b>                       | <ul style="list-style-type: none"> <li>• Carrying out timely, lawful and effective investigations and minimising impact</li> </ul>  |

|   |   |
|---|---|
| <b>and seeking suitable sanctions and redress</b> | <ul style="list-style-type: none"> <li>• Seeking appropriate sanctions and redress to deal robustly with the perpetrators of fraud and corruption</li> <li>• Maximising the recovery of losses</li> <li>• Learning from experience</li> </ul> |
|---|---|

3.3 Implementation of the strategy is promoted and supported by an annually updated Corporate Fraud Team Business Plan.

3.4 Development of this strategy will be proportional to the risks facing the Council and will be informed by an objective and regularly reviewed assessment of those risks as part of a corporate risk assessment programme.

#### **4.0 Expectations, Responsibilities and Culture**

4.1 The public is entitled to expect Local Government employees and Members to conduct themselves to the highest standards and with the utmost integrity. The Council is determined to adopt a culture and tone around the seven principles of public life:

- (a) selflessness;
- (b) integrity;
- (c) objectivity;
- (d) accountability;
- (e) openness;
- (f) honesty; and
- (g) leadership.

The Council will convey this commitment through its Code of Corporate Governance.

4.2 In relation to anti-fraud, bribery and corruption Lancaster City Council employees should have particular regard to the Council's Code of Conduct, which is contained within part 4 of the Lancaster City Council Constitution and can be located here

4.3. The way in which the Council is organised and has defined responsibilities in relation to this policy is set out in the following table:

#### **Organisation and Responsibilities**

| <b>Groups / Individuals</b> | <b>Key Roles and Responsibilities</b>   |
|-----------------------------|---|
| <b>Standards Committee</b>  | <ul style="list-style-type: none"> <li>• Setting and monitoring the standards of conduct for elected Members</li> </ul>   |
| <b>Audit Committee</b>      | <ul style="list-style-type: none"> <li>• Approving the Anti-Fraud, Bribery and Corruption Policy</li> <li>• Monitoring the effectiveness of the Council's strategy and operational arrangements</li> </ul>  |
| <b>Chief Executive</b>      | <ul style="list-style-type: none"> <li>• Overall responsibility for the Council's operational procedures</li> <li>• Leading by example through sound ethical behaviour and the promotion of the Council's anti-fraud and corruption arrangements</li> </ul> |

|  |   |
|--|---|
| <b>Section 151 Officer (Chief Officer Resources)</b> | <ul style="list-style-type: none"> <li>• Overall responsibility for the Anti-Fraud, Bribery and Corruption Policy and supporting procedures</li> <li>• Developing and maintaining policies to combat fraud, corruption and other forms of financial crime</li> <li>• Reviewing the Council's exposure to risk and</li> <li>• Ensuring that effective investigation procedures are in place</li> </ul>   |
| <b>Monitoring Officer (Chief Officer Governance)</b> | <ul style="list-style-type: none"> <li>• Ensuring that all the Authority's decisions are within the law and statutory codes of practice</li> <li>• Ensuring any actual or potential breaches or acts of maladministration are appropriately reported</li> </ul>   |
| <b>Chief Officers</b>                                | <ul style="list-style-type: none"> <li>• Reviewing their Service's exposure to risk and updating local action plans accordingly.</li> <li>• Leading by example in their service areas through sound ethical behaviour and by promoting the Council's anti-fraud and corruption arrangements</li> </ul>  |
| <b>Internal Audit and Corporate Fraud Manager</b>    | <ul style="list-style-type: none"> <li>• Reviewing the effectiveness of the Council's anti-fraud and corruption arrangements and reporting to the Section 151 Officer, Management Team and the Audit Committee</li> <li>• Maintaining a corporate overview of the Council's exposure to risk and advising management accordingly</li> <li>• Overseeing the operation of the Anti-Fraud, Bribery and Corruption Policy and related investigations</li> <li>• Reporting on any corrective measures required which have been identified through internal audit work and investigations</li> <li>• Undertaking investigations into suspected cases of fraud</li> <li>• Maintaining a record of investigations on the fraud case management system</li> <li>• Advising the Head of Human Resources of any investigations involving staff at an appropriate stage</li> <li>• Referring cases to the Police and other external agencies where necessary and appropriate</li> </ul> |
| <b>Service Managers</b>                              | <ul style="list-style-type: none"> <li>• Responding quickly and positively to concerns or allegations</li> <li>• Reporting to the Internal Audit and Assurance Manager immediately any suspected financial impropriety, including fraud or theft and taking all necessary steps to prevent further loss</li> </ul>  |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• Establishing and maintaining systems of internal control which effectively manage the risk of fraud or other malpractice</li> <li>• Responding positively to the results of any reviews of their internal control framework by incorporating changes to address any weaknesses found</li> <li>• Communicating to the Council's partners, contractors and suppliers the expectation that they will act with high standards of integrity and ethics</li> </ul> |
| <b>All employees and elected Members</b>   | <ul style="list-style-type: none"> <li>• Managing the risk of fraud</li> <li>• Demonstrating a clear opposition to fraud and corruption through the adoption of procedures and practices which are beyond reproach and by reporting any suspicions</li> <li>• Adhering to legal requirements, the Council's codes, rules and regulations and relevant professional codes of conduct</li> </ul>  |
| <b>Partners, Contractors and Suppliers</b> | <ul style="list-style-type: none"> <li>• Thee Council expects its partners, contractors and suppliers to act with high standards of integrity and ethics</li> </ul>   |

## 5.0 Deterrence and Prevention

- 5.1 The Council is committed to continually improving its anti-fraud and corruption arrangements. It will work closely with the police and other external agencies to strengthen and continuously improve its arrangements to combat fraud and corruption and, subject to legal constraints, will share information to support any related national or local initiatives.
- 5.2 The Council will monitor its potential exposure to the risk of fraud and corruption and the adequacy of its policies, systems and procedures to mitigate them. It will ensure there are effective arrangements to identify new and emerging risks and update its policies, systems and procedures accordingly.
- 5.3 The Council is committed to maintaining a strong ethical framework through clear rules, procedures and policies and clear lines of accountability. It will seek to maintain a sound system of internal control which is reviewed regularly by Internal Audit and the Council's external auditors and through the production of an Annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011.
- 5.4 The Council is committed to learning from self-assessment and independent reviews and will respond positively to recommendations made, by updating its internal control framework.
- 5.5 The Council will take appropriate and proportional action against those engaging in fraudulent or corrupt practices and will consider referral to the Police where appropriate. Any internal action against employees will be in accordance with the Council's Disciplinary Policy and Procedures; Members may be reported to the Standards Committee in accordance with the Constitution; contracts with third parties may be revoked per the formal contract; and the Council may withdraw from partnering arrangements per the partnership agreement. Prosecutions and

alternative sanctions will be considered in line with the Councils' Sanction Policy (in relation to counter fraud).

- 5.6 The Council recognises that training and guidance is vital in maintaining the effectiveness of its anti-fraud and corruption arrangements and is committed to ensuring that Members and employees receive guidance, training and support appropriate to their role and areas of responsibility so as to ensure that risks are effectively managed.
- 5.7 The Council is committed to ensuring the integrity of the people it employs through the maintenance of robust recruitment and selection procedures and pre-appointment screening.
- 5.8 The Council will conduct its procurement practices in a fair and transparent manner and will undertake due diligence in evaluating prospective contractors, and suppliers. Contracts will seek to ensure third parties act with integrity and will set out the sanctions, including the termination of any relationship, in the event of the contractor or supplier adopting practices which are inconsistent with this Policy or the Council's Code of Corporate Governance.
- 5.9 The Council is committed to effective partnerships which deliver shared objectives. It will ensure that prospective partnering arrangements are supported by sound business cases and robust risk assessments. Due diligence will be exercised in carrying out proper checks on potential partners and arrangements will be approved through robust decision-making processes. Partnering agreements will seek to ensure that partners act with integrity and in accordance with corporate ethical standards as set out in the Code of Corporate Governance. Through partnering agreements, the Council will secure its right to monitor the performance of its partners and agreements will set out the sanctions, including the Council's right to withdraw from the partnership, in the event of deficiencies.
- 5.10 The Council will, where appropriate, publicise the outcome of investigations and any subsequent prosecutions to make people aware of the possible consequences of engaging in fraud or corrupt practices.

## **6.0 Raising Concerns**

- 6.1 The Council's reporting arrangements seek to ensure that the interests of the public and the Council are protected against any form of malpractice that can reduce public confidence in the Council and its services, including acts committed outside of official duties but which may impact upon the Council's trust in the individual concerned.
- 6.2 Members and employees are expected to always be aware of, and vigilant to, the possibility of fraud, corruption, theft, and irregularity or the improper use or misappropriation of the Authority's property or resources. Members and employees are encouraged to report genuine concerns immediately.
- 6.3 The Council positively encourages external organisations and members of the public to raise any concerns they may have.
- 6.4 The Council is committed to taking seriously all concerns which are genuinely raised. It will, where appropriate, take action against those who raise unfounded malicious allegations. In the case of employees this may involve taking disciplinary action against the officer raising the concern.
- 6.5 The Council is committed to maintaining confidential reporting arrangements and anyone with genuine concerns should report them in accordance with guidance available through the following links:

## **7.0 Investigations**

7.1 The Council is committed to carrying out proper, prompt and formal investigations into all reports of suspected fraud, corruption, theft, irregularity or the improper use or misappropriation of the Council's property or resources to minimise and prevent further losses.

7.2 Investigations will be carried out in accordance with relevant legislation, including:

- Criminal Procedure and Investigations Act 1996
- Police and Criminal Evidence Act 1984
- Human Rights Act 1998
- Regulation of Investigatory Powers Act 2000
- Investigatory Powers Act (IPA) 2016

7.3 Further information on internal investigations is included at Appendix 1 of this policy

### **7.4 Police Investigations**

Where there is Police involvement, the following points should be borne in mind:

- a) The Police will normally remove original documentation. Copies should, therefore, be taken of documents required for operational purposes, prior to them being handed over to the Police.
- b) All evidence related to the investigation should be stored securely, in such a way as to ensure confidentiality. Depending upon the nature of the irregularity, it may be appropriate to remove documents or software in a way that does not raise the suspicions of the person under investigation.

It is important to collect as much documentary evidence as soon as possible since the onset of an investigation may trigger its destruction, if this has not happened already.

## **8.0 Sanctions, Redress and Recovery**

8.1 The Council is committed to dealing robustly and appropriately with the perpetrators of fraud and corruption. This may include criminal and/or civil proceedings as well as taking action under the Council's Disciplinary Policy and Procedure, Sanction Policy (in relation to counter fraud) or through the Standards Committee.

8.2 The Council will work with other organisations as necessary to take all reasonable measures to recover any losses arising from fraudulent activity.

## **9.0 Alternative methods for taking a complaint forward**

9.1 If either a member of the public, employee or Council Member feels it is right to take the matter outside these processes, the following are possible ways forward:

- **Your Local Councillor** - If you are unsure how to contact your Councillor please see: [www.lancaster.gov.uk](http://www.lancaster.gov.uk)
- **The External Auditor** – Richard Lee (Director) – [richard.lee@kpmg.co.uk](mailto:richard.lee@kpmg.co.uk) Tel: 07788 718618
- **Your Trade Union**
- **The Police**



- **The Local Government and Social Care Ombudsman** - [www.lgo.org.uk](http://www.lgo.org.uk)
- **Protect** - Protect is a registered charity that promotes accountability and good governance in organisations and responsibility amongst individuals. It can give you free, confidential advice at any stage about how to raise a concern about serious malpractice/wrongdoing at work. It may be contacted by telephone, 020 3117 2520, or by e mail, [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk)

## **Appendix 1 Internal Investigations**

Prior to the commencement of any investigation the nature of each matter must be determined on its merits, in order to decide upon the course of action to be followed:

- Where a criminal offence is suspected and the matter is potentially of a serious nature, an internal investigation may be undertaken whilst maintaining a close liaison with the Police, (In these cases, it may be appropriate to consider handing the case over to the Police, this may occur at any stage of the Council's own investigation).
- Where there are reasonable grounds to suspect an offence an interview under caution (IUC) must be considered. Any IUC's will comply with the Police and Criminal Evidence Act 1984 codes of conduct.
- Liaison with the Head of Human resources should be undertaken at all stages of the investigation process. This is particularly important where action is required at an early stage, including the possible suspension of the officer involved, in accordance with the Council's disciplinary procedure.
- Where a criminal offence is suspected but the matter is not considered material in terms of value or seriousness (for example petty theft), the matter may be dealt with under the Council's disciplinary procedure.
- Where the incident is not of a criminal nature, it should be dealt with under the Council's disciplinary procedure.
- Within the investigation process an interview may be held in order to gather information and ascertain facts, or more formally to examine and review information, verify and confirm facts, and if appropriate seek explanations for the interviewees conduct/actions
- All relevant facts pertinent to the investigation should be obtained prior to the interview.
- Representation should be offered to the interviewee, in terms of accompaniment by their Trade Union Official, a friend, or other such person. If the interviewee requests representation, the interview should only take place when this representation is adequately provided.
- A management representative should be present, who should have the power to suspend the employee if need be.
- An accurate record must be kept of the interview.
- Legal advice should be sought from the Head of Legal Services on the strength of the evidence obtained.
- Where a decision is made to interview an employee, the arrangements should be made as soon as possible.
- If, during the course of an interview which is not an interview under caution (IUC), it becomes clear that a criminal offence may have been committed, the interviewee must be cautioned before further questioning takes place, in order to comply with the Police and Criminal Evidence Act 1984. It is critical at this point that the suspect is informed that he/she may leave the interview at any time. If he or she does remain they must be informed that they may seek legal advice if they wish.

**Officers undertaking investigations are however advised to terminate the interview immediately and inform the Police should reasonable grounds exist for suspecting that a serious offence may have been committed. Serious offences include either way offences involving fraud or theft with a value of over £50,000, corruption, bribery and conspiracy. The Police will then make the decision as where or not to interview the suspect.**

## Interview Notes/Statements

When compiling interview notes or statements regard should be given to the following:

- When an interview with a witness or a suspect takes place, questions and answers must be recorded contemporaneously and the suspect/witness must sign the statement.
- If the suspect/witness refuses to sign the record, this fact must be noted and the interview note signed by the two interviewers. Any other notes from an interview, whether shorthand or longhand, must be kept. Any change in persons in the interview room should be recorded, including time of changes, and people entering and leaving.
- If a statement is obtained from a suspect/witness, it must be kept in the correct format. Specific stationery is available for such records. It must begin with the name and job title of the suspect/witness making the statement and must be dated and timed. The suspect may write the statement or it may be written for him/her. The person giving the statement must not be prompted and they must sign at the bottom of each page and initial every alteration. When the statement has been completed, the suspect/witness must sign after the final word. The interviewer should also witness the suspect's/witness' signature. Where representation has been taken up, the representative should also sign any written statements made by the interviewee.
- The suspect/witness must be allowed to re-read the statement before the final signing and must be allowed to alter anything written. The suspect/witness must initial all amendments.
- It is imperative that record keeping is comprehensive, legible and accurate. It should be noted that all documents, including working papers, might be required as evidence.

An employee must be given every opportunity to explain his/her conduct/actions, and no unfair pressure or method should be used to obtain information. Where applicable, the Police and Criminal Evidence Act 1984 (Code of Practice C) will be followed.

## Finalising the Investigation

At the end of the investigation, the Investigating Officer should ensure that a report is produced which sets out all of the facts relating to the case. The subject of the investigation should be provided with a copy of the draft report at this stage, and given the opportunity to comment on, but not change the report. Following which, the final report including the conclusions drawn and recommendations made, should be produced and submitted to the Chief Executive and copied to the relevant Director and Service Head, if appropriate.

Where it is clear that no irregularity has occurred, the suspect must be told as soon as possible and this should be confirmed in writing. If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the person who made the allegation. **If, however, an allegation is suspected to have been made frivolously, maliciously, or for personal gain, disciplinary action may be taken against the accuser.**

When the Service Head has received the advice and conclusions following from the investigation, and where appropriate has sought and received the advice from the Head of Legal Services and Monitoring Officer and the Head of Human Resources, He/she shall take appropriate action without delay.

If it is felt that there is a case to answer, the employee should be informed of the action that the Council proposes to take as soon as possible. If disciplinary action is to be considered, the Council's disciplinary policy must be carefully followed. If the Council is satisfied that an irregularity has occurred, and the Police are notified, the employee should not be suspended indefinitely solely

because if subsequent Police investigations and/or court proceedings. Disciplinary proceedings should be completed as a matter of urgency.

Records should be kept at every stage of the inquiry. The employee should be personally informed of the final conclusions of the Council and a formal letter should subsequently confirm these.

Any systems weaknesses highlighted by the investigation should be included in the report and recommendations made as to how they can be overcome. Internal Audit will then obtain management responses to the recommendations made and ensure that a post audit review is carried out at a later date to assess progress in implementing the agreed recommendations. Details of the investigation, its findings and any recommendations will be reported to the Audit Committee as part of the internal Audit reporting procedures.

# Anti-Money Laundering Policy and Procedures

**Contents Page**

1. Introduction
2. Scope of the Policy
3. Definition of Money Laundering
4. Requirements of the Money Laundering Legislation
5. The Money Laundering Reporting Officer (MLRO)
6. Customer Due Diligence & Client Identification Procedures
7. Reporting Procedure for Suspensions of Money Laundering
8. Procedure following the Report of Suspected Money Laundering
9. Consideration of the disclosure by the MLRO
10. Training
11. Conclusion
12. Review

## **ANTI-MONEY LAUNDERING POLICY**

### **1. Introduction**

- 1.1 The risks to the Council of contravening money laundering legislation remain relatively low and some aspects of the legal and regulatory requirements do not apply to public authorities. However, it is recognised that the Council is not completely immune from the risks surrounding money laundering. The purpose of the Anti-Money Laundering Policy is to clearly demonstrate that the Council embraces the underlying principles of money laundering legislation and is taking reasonable steps to minimise the likelihood of such activities occurring, by developing a suitable framework of arrangements to safeguard itself against action of this nature, whilst making satisfactory provisions to achieve compliance to legal and regulatory requirements, where appropriate.
- 1.2 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Money Laundering Regulations) provide numerous and prescriptive requirements with regards to risk assessments, policies and procedures and customer due diligence checks, amongst other things, all of which are designed to minimise the risk of businesses inadvertently or otherwise becoming involved in money laundering or terrorist financing.
- 1.3 Whilst local authorities are not bound by the requirements of the 2017 Money Laundering Regulations), even when undertaking regulated activities within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, it is a prudent and responsible practice for local authorities to comply with the underlying spirit of the legislation and to have in place appropriate and proportionate anti-money laundering safeguards.
- 1.4 Whilst local authorities do not strictly fall within the scope of the 2017 Money Laundering Regulations, they are bound by the Proceeds of Crime Act 2002(as amended) and the Terrorism Act 2006, both of which place a number of duties and responsibilities on local authorities and employees and members of the same, in order that they do not find themselves subject to criminal prosecution.
- 1.5 Lancaster City Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-

money laundering safeguards and reporting arrangements. This policy seeks to address both the underlying spirit of the 2017 regulations whilst ensuring

responsibilities under the Proceeds of Crime Act 2002 and Terrorism Act 2006 are clear.

## **2 Scope of the Policy**

- 2.1 This Policy applies to all employees whether permanent or temporary, and Members of the Council. Its aims to prevent criminal activity through money laundering and to enable employees and Members to respond to a concern that they have in the course of their dealings for the Council. It is extremely important that all members and employees are familiar with their legal responsibilities and are vigilant at all times. Serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).
- 2.2 Failure by any employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

## **3. Definition of Money Laundering**

- 3.1 Money laundering is a term designed to cover a number of offences. These offences relate to the improper handling of funds that are the proceeds of criminal acts, or terrorist acts, so that they appear to come from a legitimate source. It relates to both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods. The Proceeds of Crime act 2002(as amended), creates a range of criminal offences arising from dealing with proceeds of crime. The four main offences that may be committed under money laundering legislation are:
  - Concealing, disguising, converting, transferring or removing criminal property from anywhere within the UK.
  - Entering into or becoming concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
  - Acquiring, using or possessing criminal property\*.
  - Entering into or being concerned in an arrangement which facilitates the retention or control by, or on behalf of, another person of terrorist property\*\* by concealment, removal, transfer or in any other way.

It is also an offence to attempt, conspire or incite to commit any of the above offences and to aid, abet, consul or procure them commission of any of the above offences.



\*Criminal property is something which constitutes a person's benefit from criminal conduct or represents such benefit; it is not limited to money and there is no minimum amount.

\*\*Terrorist Property includes money or other property likely to be used for terrorism, proceeds of terrorist acts, and proceeds of acts carried out for the purposes of terrorism.

There are also two 'third party' offences:

- Failing to disclose information relating to money laundering offences (in respect of both criminal property and terrorist property) where there are reasonable grounds for knowledge or suspicion; and,
- Tipping off or informing someone who is or is suspected of being involved in money laundering activities, in such a way as to reduce the likelihood of or prejudice an investigation.

It is important to note that whilst the disclosure obligations and tipping off offences in relation to criminal property will not always strictly apply to local authorities, all individuals and business' have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from terrorism, proceeds of acts carried out for the purposes of terrorism or finance likely to be used for terrorism, where that information has come to them in the course of their business or employment.

- 3.2 Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000(as amended).
- 3.3 The Money laundering offences cited above carry a prison sentence of up to 14 years. A defence is available if it can be shown that any knowledge or suspicion of money laundering was reported to the National Crime Agency (NCA) and as a result that any resultant transaction was put on hold until consent to proceed was given

#### **4. Requirements of the Money Laundering Legislation**

4.1 The main requirements of the legislation are:

- Appoint a Money Laundering Reporting Officer (MLRO)
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record keeping procedures, and
- Train relevant staff.

## 5. The Money Laundering Reporting Officer (MLRO)

- 5.1 The Council's MLRO is the Head of Financial Services (Section 151 Officer), and can be contacted as follows:

**Paul Thompson**  
**Head of Financial Services**  
**(Section 151 Officer)**  
**Town Hall, Dalton Square**  
**Lancaster, LA1 1PJ**

Telephone 01524 582603  
 Email: pthompson@lancaster.gov.uk

- 5.2 In the absence of the MLRO, contact the Deputy MLRO.

**Andrew Kipling**  
**Principal Accountant**  
**Address as above**

Telephone: 01524 582143  
 Email: akipling@lancaster.gov.uk

## 6. Customer Due Diligence & Client Identification Procedures

- 6.1 The Council does undertake activities that may be considered under the Money Laundering Regulations, to be regulated, however it does not undertake these activities by way of business, and therefore would not normally be expected to undertake due diligence in respect of any clients to whom it provides these services.
- 6.2 However, it is good practice that wherever the Council does enter into such activities with a third party then due diligence checks should be actioned before the establishment of a relationship/transaction with the third party.
- 6.3 Undertaking routine customer due diligence checks or enhanced for Politically Exposed Persons (PEP) (including family and known associates can take a number of forms. Consideration should be given to taking one or more of the following, where applicable:
- Confirming the identity of the client via documentation, data or information obtained from a reliable and independent source, e.g. passport, and/or position within an organisation, where appropriate.
  - Obtaining confirmation from Companies House as to the registration details of the Company and details of the Company business.
  - Seeking electronic verification, e.g. performing credit checks.
  - Obtaining confirmation to regulated industries bodies (e.g. in the case of accountants, checking to CCAB certified bodies).
  - Requesting copies of financial statements.

- Requesting details of interests and beneficial ownerships – with reference to the latter this is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.
- Obtaining information on the purpose and intended nature of the business relationship.
- Obtaining information on the sources of wealth

6.4 Examples of other available internal information that may be considered relevant are:

- Reviewing other transaction patterns and volumes.
- The length of any business relationship involved.
- The number of any one-off transactions and linked one-off transactions.
- Any identification evidence held.

6.5 Satisfactory evidence of identity of the client/third party must be obtained upon taking instructions or as soon as practicable thereafter.

6.6 For inter departmental transactions, documentation must be retained that constitutes evidence that the client identification procedure has been followed. For dealings with external clients, evidence will be in the form of written instructions on the organisation's letterhead at the outset of the matter. If it is a new client then further evidence may be necessary (see examples above). In either case the documentation that constitutes evidence of compliance with the client identification procedure should be clearly marked on the client's records.

6.7 Any checks undertaken should remain proportionate to the risks of the individual business and the relationship. Additional checking may need to be performed if the person is not physically present to be identified. Details of such checks should be recorded and retained for a minimum of 6 years.

6.8 If satisfactory evidence of identity is not obtained at the outset of the matter, then the business relationship or transaction **CANNOT PROCEED**.

6.9 All personal data collected must be kept in compliance with the Data Protection Act.

## **7. Reporting Procedure for Suspicions of Money Laundering**

7.1 Where a member of staff knows or suspects that money is being laundered or is concerned about their involvement in such activity, this must be disclosed to the MLRO or Deputy. This disclosure should be within hours of it coming to the attention of the member of staff as opposed to days or weeks later. A member of staff who fails to make such a disclosure may be liable to prosecution.

7.2 The report to the MLRO should be made using the pro-formas which are located on the Councils Intranet. The report must include as much detail as possible including:

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- Why, exactly, you are suspicious.

7.3 Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom, in these circumstances. Any person found guilty of tipping off or prejudicing an investigation offence is liable to imprisonment (maximum five years), a fine or both.

## **8. Procedure following the Report of Suspected Money Laundering**

8.1 Once a report has been made to the MLRO the member of staff must comply with the following:

- The member of staff will need to follow any directions given by the MLRO or by the NCA. This may include continuing with the transaction in order to avoid raising suspicion that the laundering has been detected.
- The member of staff will cooperate with the MLRO and NCA during any subsequent investigation.
- The Member of staff must not make any further enquiries or investigate the matter themselves, as there may be a danger that the investigation by NCA could be compromised by alerting those engaged in the money laundering.
- The member of staff should not voice any suspicions to persons suspected of money laundering, as this may constitute the criminal offence of "Tipping Off"; and
- The member of staff shall not make any reference on a client file to a report having been made to the MLRO. Under Data Protection

legislation a client may exercise their right to see their file and therefore would see any note of the report thereby 'tipping them off

## **9. Consideration of the Disclosure by the Money Laundering Reporting Officer**

- 9.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.
- 9.2 The MLRO will consider the report and any other available internal information he thinks relevant, for example:
  - Reviewing other transaction patterns and volumes
  - The length of any business relationship involved
  - The number of any one-off transactions and linked one-off transactions
  - Any identification evidence held.
- 9.3 The MLRO will undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 9.4 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:
  - There is actual or suspected money laundering taking place; or
  - There are reasonable grounds to know or suspect that is the case; and
  - Whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 9.5 Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure to the NCA. Guidance is available at <https://www.nationalcrimeagency.gov.uk>
- 9.6 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly, he can then immediately give his consent for any ongoing or imminent transactions to proceed.
- 9.7 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

- 9.8 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.
- 9.9 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of six years.
- 9.10 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

## **9. Training**

- 9.1 Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.
- 9.2 Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.
- 9.3 Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

## **10. Conclusion**

- 10.1 Given a local authority's legal position with regard to the legislative requirements governing money laundering, the Council believes that this Policy represents a proportionate response to the level of risk it faces of money laundering offences.

## **11. Review**

This policy will be reviewed bi-annually.

## Lancaster City Council Sanctions Policy

Lancaster City Council is committed to protecting public funds through its investigations into cases of fraud. The Oxford English Dictionary defines fraud as “*Wrongful or criminal deception intended to result in financial or personal gain*”. Fraud may also occur by failure to disclose information where there is a legal duty to do so.

This policy is intended to cover any form of fraud that the Council may consider necessary to investigate. The Council will consider taking enforcement action against any individual or organisation which commits a criminal offence against the Council, (including criminal conduct related to the systems administered by the Authority or any of its partners) or the wider local community.

Areas in which the Council faces the risk of fraud include: (the list should not be considered exhaustive):

- Business Rates
- Council Tax
- Council Tax Reduction Scheme
- Employee Fraud
- Grants
- Insurance
- Mandate Fraud
- Procurement
- Social Housing Fraud

The Council may work with other organisations such as the Department for Work and Pensions, the Police, Home Office, HM Revenues and Customs and other local authorities in order to detect and deter fraud. The work may include joint investigations with them and, where appropriate, assist in any prosecution.

The Council recognises that the use of Simple Cautions, Penalties (as prescribed in the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 and the Social Security Administration Act 1992 (as amended) and prosecutions have a key role to play in deterring offenders.

In **all** cases where fraud is identified the Council will consider commencing legal processing to cover the debt from the fraudulent party

This document replaces the Lancaster City Council's Sanction Policy for the Council Tax Reduction Scheme.

### Course of Action

The initial decision on what appropriate action may be taken lies with (1) the Fraud Manager who will submit a report to (2) the Director of the service affected, making recommendations on the appropriate sanction. If approved, the report will be counter signed by the Director and the approved action will be followed. If it is not approved, a case conference will take place between the recommending officer and the Director to discuss what action, if any, is appropriate.

In the event of the case being submitted for prosecution, the report, together with the investigation evidence, will be submitted to the Council's Governance (Legal) Team who in turn will determine on the institution of legal proceedings.

Consideration will be given to the individual circumstances of each case in deciding the appropriate enforcement action from a range of sanctions.

### **A) Simple Caution**

Where the evidential requirement for a prosecution is satisfied and the offender has admitted the offence, a caution is one of the enforcement actions available to the Council.

Whether an offer of a caution is suitable is an operational decision based on the specific circumstances of the individual case.

#### **The Council may offer a Simple Caution if:**

- The case involves low-level, mainly first-time, offending
- There is an absence of previous warnings, penalties, cautions or convictions
- A penalty is not appropriate
- The overall value of the fraud is below £5,000
- The person's subsequent attitude is one of penitence (e.g. genuine expression of remorse for their actions and/or co-operation with the investigation)
- The person is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished
- There are no significant aggravating factors such as the person being in a position of trust, sophisticated nature of the offence or significant planning

**If the person refuses the offer of a simple caution the case will usually be referred for prosecution.**

### **B) Alternative Penalties**

The Council may offer an alternative penalty where appropriate and where legislation allows the offer of a penalty. The Council will have particular regard to:

- Circumstances where the case does not involve factors that make prosecution the only realistic option (such as collusion, abuse of position, sophisticated nature or significant planning);
- The loss to public funds;



- Whether the person has no unspent previous convictions; and
- Whether the person has no cautions or alternative penalties within the last two years.

### **Council Tax Support Scheme**

Regulation 11 of The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allows the Council to offer a penalty of 50% of the amount of excess reduction/overpayment (rounded down to the nearest whole penny) subject to a minimum penalty of £100 and a maximum penalty of £1000 as an alternative to prosecution. The penalty is levied in addition to the amount of excess reduction/ overpayment. Upon accepting the penalty, the person has 14 days in which to change their decision.

A penalty may be offered in cases of attempted fraud, as an alternative to prosecution, where an offence of Council Tax Support Scheme fraud has been committed but the fraud is discovered and stopped before any award of Council Tax Support is made. In these cases, the amount of the penalty would be £100.

### **Housing Benefit, Council Tax and National Benefits**

Powers to investigate and prosecute benefit fraud now lie with The Department for Work and Pensions. Where an overpayment of Housing Benefit, Council Tax Benefit or National Benefits is also being considered for the offer of a penalty these will be dealt with under the provisions contained in the Social Security Administration Act 1992 (as amended). These penalties will be administered by The Department for Work and Pensions.

If a penalty is not accepted, or it is withdrawn, the Council must consider whether to prosecute, therefore all cases must be up to prosecution standard.

The offer of a penalty should happen at a **special interview**. The person should be told at the interview that:

- It is not an interview under caution
- In light of the evidence available, it is believed there are grounds for instigating criminal proceedings for the alleged offence
- It has been decided to offer them the alternative of agreeing to pay a penalty instead of their case being referred for prosecution
- They will be expected to make a decision on whether to agree to pay a penalty, by the end of the interview
- Acceptance of the penalty is not an admission of guilt

- Recovery of the penalty will occur in the same way as recovery of the overpayment
- They have 14 days in which to change their mind should they accept the penalty

Failure to repay the penalty or default on instalments will result in the person facing civil proceedings for recovery.

The officer who conducted the interview under caution will not conduct the special interview.

**The Council may consider issuing a penalty if:**

- To the Council's knowledge the person has no previous unspent convictions
- The person has no cautions or alternative penalties within the last two years
- The person has not admitted the offence during an interview under caution
- The excess reduction/overpayment is under £5,000
- A Simple Caution is not appropriate
- The person is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished

**If the person refuses the offer of a penalty, the case will usually be referred for prosecution.**

## **C. Prosecution**

The Decision to Prosecute – additional factors:

- The Council shall always consider the principles set out in the Code for Crown Prosecutors. Accordingly, a prosecution will only be started when the case has passed both stages of the Full Code Test: the evidential test; followed by the public interest test.
- Each case will be considered on its own merits to determine the most appropriate course of action.
- In all cases considered for sanction, it is essential that each case is subject to scrutiny on the basis of its own particular details. The circumstances of each individual case will ultimately determine the eventual outcome of this exercise
- It should be noted that it may be appropriate to prosecute or take other sanction action against a person who has attempted to commit a fraud.

# **Raising Concerns (formerly “Whistleblowing”) Policy (January 2023)**

## **Legal Services, Governance**

### **RAISING CONCERNS POLICY**

|  |        |
|--|--------|
| 1. Introduction                              | 2      |
| 2. Aims and scope of this Policy             | 3      |
| 3. Who is covered by this Policy             | 4      |
| 4. Safeguards                                | 4      |
| 5. How to raise a concern                    | 5      |
| 6. How the Council, will respond             | 7      |
| 7. How to take it further                    | 8      |
| 8. The Responsible Officer                   | 9      |
| <br>Appendix A – List of Designated Officers | <br>10 |
| Appendix B – List of Regulatory Bodies       | 11     |

**Version 2.0**

# RAISING CONCERNS POLICY

## IMPORTANT

This Policy affects you. Please read it carefully.

The law requires the Council to protect you should you raise a concern internally within the Council if you know or suspect that:

- Possible corruption or malpractice is taking place
- The law or Council rules are being broken
- The health and safety of any person is being endangered
- Damage to the environment is taking place

## 1. INTRODUCTION

1.1 All of us might at some time have concerns about what is happening at work. Employees, members, or contractors are often the first to realise that there may be something seriously wrong within the Council. Usually, these concerns are easily resolved. However, when they are major concerns about serious malpractice, unlawful conduct, financial irregularities or dangers to the public or the environment, it can be difficult to know what to do. You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may also fear harassment or victimisation. In these circumstances, it may appear easier to ignore the concern rather than report what may just be a suspicion of malpractice.

1.2 Lancaster City Council is genuinely committed to providing an environment of openness and accountability where individuals feel that they are able to raise concerns regarding serious malpractice. We would encourage all employees, members, or contractors with serious concerns about any malpractice in the form of irregularity, wrongdoing or serious failures of standards of work, to come forward and voice those concerns. Therefore, the Council has introduced this policy and procedure to enable you to raise your concerns about such possible malpractice at an early stage and in the right way. If something is troubling you, which you think we should know about or look into, please use this procedure. If you follow its advice, the Council assures you that your concerns can be raised in confidence, as far as possible, and without any fear of reprisal. This policy is intended to encourage and enable employees, members, or contractors to raise serious concerns within the Council rather than overlooking a problem or blowing the whistle outside.

1.3 Employees should note that the Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013 have amended the Employment Rights Act 1996. The legislation provides protection for workers who raise legitimate concerns in the public interest about malpractice/wrongdoing. This Raising Concerns Policy has been drawn up to enable you to raise concerns without fear of reprisal and to ensure that they are dealt with effectively by the Council. This policy supports the Council's Anti Fraud, Bribery and Corruption Policy. In some organisations a policy such as this is known as a "Whistleblowing Policy".

1.4 If in doubt – raise it.

## **2. AIMS AND SCOPE OF THIS POLICY**

2.1 This policy aims to:

- Encourage you to feel confident in raising serious concerns and to question and act upon concerns about misconduct or malpractice;
- Provide avenues for you to raise those concerns internally and receive feedback on any action taken, and to provide information about how, in exceptional circumstances, matters can be raised externally;
- Reassure you that genuine concerns will be taken seriously and in the interests of all concerned will be dealt with properly, quickly and discreetly;
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied;
- Reassure you that as much as possible will be done to protect confidentiality, and that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith;
- Reassure you that procedures for raising concerns can be independent from line management
- Advise and remind employees that the detrimental treatment of colleagues who raise concerns may be considered a disciplinary matter

2.2 There is a difference between a grievance and a "raising concerns" disclosure.

2.3 A grievance will concern an employee personally, i.e. the individual may have a complaint about their working conditions, their pay or working hours or the amount of work that they are expected to do. This is not a "raising concerns" matter and should not be reported as such.

- 2.4 A disclosure will be made in the public interest and will concern the conduct of another person or persons in the workplace, whether or not that conduct affects the complainant personally.
- 2.5 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. This policy is intended to cover major concerns that fall outside the scope of other procedures. These concerns may include:
- Conduct which is an offence or a breach of law
  - Disclosures related to miscarriages of justice
  - Health and safety risks, including risks to the public as well as other employees
  - Damage to the environment
  - The unauthorised use of public funds
  - Non-compliance with Council rules, policies and procedures
  - Unauthorised use or misuse of the Council's financial or other resources, including information
  - Possible fraud and corruption
  - Sexual or physical abuse of clients
  - Other inappropriate or unethical conduct, or
  - The deliberate concealment of information about any of the above
- 2.6 Thus, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council, can be reported under the Raising Concerns Policy. This may be about something that:
- Makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to;
  - Is against the law or against Council's Procedural Rules or Financial Regulations and Policies; or
  - Falls below established standards of practice; or
  - Amounts to improper conduct.
- 2.7 The overriding concern should be that it would be in the public interest for the malpractice to be corrected and, if appropriate, sanctions applied.

### **3. WHO IS COVERED BY THIS POLICY**

- 3.1 This policy applies to all employees, elected Members and those contractually working for the Council on its premises, for example, volunteers, agency staff, builders and drivers. It also covers suppliers and those providing services under

a partnership arrangement with the Council. Members of the public are also encouraged to report their concerns via this Policy.

#### **4. SAFEGUARDS**

##### ***Preventing Harassment or Victimisation***

- 4.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. If you raise a genuine concern under this policy, you will not be at risk of losing your job. Provided you are acting in good faith, it does not matter if you are mistaken; no action will be taken against you.
- 4.2 The Council has a “Dignity at Work Policy”. This policy makes it clear that the Council will not tolerate harassment or victimisation. The Council will take action to protect you when you raise a concern in good faith.
- 4.3 This does not mean if you are already the subject of any disciplinary or redundancy procedures, that those procedures will be halted as a result of the raising a concern. It should also be noted that these arrangements do not guarantee protection for any substantive misconduct which you may have been involved in.

##### ***Raising a Concern Openly***

- 4.5 The best culture is where an employee who has a concern feels it is safe and acceptable to raise the concern openly (where those involved know what the issue is and who has raised it). This openness makes it easier for the Council to assess the issues, to work out how to investigate the matter, to get more information, to understand any hidden agendas, to avoid witch hunts and to minimize the risk of a sense of mistrust or paranoia developing.

##### ***Raising a concern confidentially***

- 4.6 While openness is the ideal, the Council recognises that employees may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent unless required by law.

##### ***Anonymous Allegations***

- 4.8 We hope you will feel able to put your name to your allegation as concerns expressed anonymously are much less powerful. However, they will be considered at the discretion of the Council.



4.9 In exercising the discretion, the following factors will be taken into account:-

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

### ***Untrue Allegations***

4.10 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

## **5. HOW TO RAISE A CONCERN**

5.1 As a first step, we would hope that you feel able to raise concerns initially with:-

- your Supervisor;
- your Line Manager;
- your Chief Officer; or
- your trade union representative;

5.2 This may be done orally or in writing. At this stage you should indicate if you want to raise the matter in confidence so that appropriate arrangements can be made when taking a matter forward.

5.3 If your concern is serious or you suspect that your immediate management are involved, then please raise it with one of the designated officers listed at Appendix A.

5.4 Alternatively, you may wish to raise your concern with your local Councillor, who can then advise you on taking the matter forward and with whom it is most appropriate to do so.

5.5 Protect is a registered charity that promotes accountability and good governance in organisations and responsibility amongst individuals. It can give you free, confidential advice at any stage about how to raise a concern about serious malpractice/wrongdoing at work. It may be contacted by telephone, 020 3117 2520, or by e mail, [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk)

5.6 Whilst it is not necessary to put concerns in writing, the Investigating Officer will need to keep details of the background and history of the concern. You will need to provide names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your

concern in writing, you can telephone or meet the appropriate officer. The earlier a concern is expressed, the easier it is to take action.

- 5.5 You are not expected to prove beyond reasonable doubt the truth of an allegation, but you will need to demonstrate to the person contacted that there are reasonable grounds for your concern
- 5.6 You can obtain help, advice and guidance on raising concerns from any of the officers listed in paragraph 5.1, or the designated officers (as appendix A).
- 5.7 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns. However, you should be careful not to convey the concern to anyone other than someone who has a right to know or the proper authority to deal with the concern. If the concern relates to fraud, you need to be careful that the individual against whom the concern is raised is not accidentally “tipped off”, as incriminating evidence could be destroyed.
- 5.8 If you do not wish to raise the concern personally, you may invite your trade union, professional organisation or local Councillor to raise a matter on your behalf.
- 5.9 If you suspect malpractice of any kind you should not:
  - Ignore the matter
  - Approach or accuse individuals directly
  - Try to investigate the matter yourself
  - Convey your suspicions to anyone other than those with the proper authority to deal with the matter
  - Be afraid of raising your concern, as this policy will afford you protection.

***Raising a concern if you work for a Contracting Organisation or Agency or in a Shared Service***

- 5.10 Contractor or Agency workers who become aware of possible malpractice within the Council should raise the problem in writing with the Procurement Manager, Chief Officer – Governance (Monitoring Officer), or the Chief Officer - Resources (s151 Officer)
- 5.11 Employees of a contracting organisation who become aware of possible malpractice within their own organisation should use their own internal procedures for reporting the matter. However, if the issue is not resolved and is affecting the delivery of the Council’s services, then the problem should be raised as above.

- 5.12 Likewise, employees who work in a shared service but are not employed by this Council should initially raise any concerns under the relevant policy of their employing Council. However, if they feel unable to do so, or the issues is not resolved, and it affects this Council, then they should raise the matter with any of the officers designated in Appendix A.

### ***Procedure for Members***

- 5.13 Elected Members who have a genuine concern about malpractice should raise the concern with the Monitoring Officer.

### **Members of the Public**

- 5.14 The Council encourages those external to the Council who suspect fraud and/or corruption to contact the Chief Officer – Resources (s151 Officer) or Chief Officer - Governance (Monitoring Officer).

## **6. HOW THE COUNCIL WILL RESPOND**

- 6.1 It is a manager's responsibility:

- to deal with any concerns that are raised with them in accordance with this policy,
- to notify the Monitoring Officer of any concerns that are brought to the manager's
- attention which cannot be immediately resolved by the manager themselves,
- to ensure that concerns are treated seriously and investigated as appropriate,
- to ensure that appropriate arrangements are made if the individual wishes to raise the matter in confidence, and
- to ensure that anyone raising a concern in accordance with the terms of the policy is protected from reprisal.

- 6.2 The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be resolved by agreed action without the need for investigation
- be investigated internally;
- be referred to the Police;
- be referred to the External Auditor; or
- form the subject of an independent inquiry

- 6.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns which fall within the scope of specific procedures (e.g. equality issues)

will normally be referred for consideration under those procedures. During these initial inquiries, the officer concerned may seek advice from more senior officers, the Monitoring Officer and/or other relevant specialists or professionals within the Council as appropriate whilst protecting details relating to the concern (including your identity) as far as possible.

- 6.4 Within five working days of a concern being received, the Council will write to you:-
- acknowledging that the concern has been received;
  - indicating how it proposes to deal with the matter, and who is dealing with the matter;
  - giving an estimate of how long it will take to provide a final response;
  - telling you whether any initial enquiries have been made; and
  - telling you whether further investigations will take place, and if not, why not (e.g. there is no substantive case, or the matter can be resolved without investigation, or other formal channels should be used to raise the issue.)
- 6.5 The amount of contact between the officers considering the issues and you, will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.
- 6.6 When any meeting is arranged, you have the right, if you so wish, to be accompanied by a Union or professional organisation representative or work colleague who is not involved in the area of work to which the concern relates.
- 6.7 Where an investigation is appropriate, the Monitoring Officer will appoint an appropriate Investigating Officer who will investigate the facts surrounding the initial concern and report his/her findings to the Monitoring Officer. In some circumstances the Investigating Officer may seek information from other officers of the Council or individuals outside the Council. Those asked to provide information will be informed:
- that the information is being requested in connection with an investigation in response to a “raising concerns” complaint.
  - of the way in which the information they provide is likely to be used.
  - that they have a right to a formal meeting and representation if they wish.
  - of the need to maintain confidentiality.
- 6.8 The Monitoring Officer is responsible for deciding at which point the individual against whom the concern is raised is to be notified of the concern raised and the evidence supporting it. Where the individual has not been notified and the

Investigating Officer feels that the investigation cannot progress without such notification, he/she will liaise with the Monitoring Officer.

- 6.9 If at any time in the course of the investigation there is evidence of criminal activity, the Investigating Officer will inform the Monitoring Officer and a decision will be made as to whether a referral should be made to the Police. If at any time there appears to be evidence of a disciplinary case to answer, the Monitoring Officer will refer the matter to the relevant manager to be dealt with in accordance with the Council's Disciplinary Policy and Procedure.
- 6.10 On completion of the investigation, the Investigating Officer will report the facts and his/her conclusions to the Monitoring Officer, who will decide what further action, if any, is required. Outcomes of investigations will be reported to the Chair of the relevant Council body (for example, the audit or personnel committee).
- 6.11 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure.
- 6.12 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations. Where working practices have been found to be at fault, you will be informed as to what action has been taken to correct them. However, it may not be possible to tell you the precise action being taken where this would infringe a duty of confidence owed by the Council to someone else.

## **7. HOW THE MATTER CAN BE TAKEN FURTHER**

- 7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-
- The External Auditor (if you believe that there has been financial or procedural impropriety). Paul Hewitson (Director) – [www.deloitte.co.uk](http://www.deloitte.co.uk) Tel: 0191 202 5353.
  - Lancashire Constabulary (if you believe that a criminal act has been committed). Tel 101
  - Your Solicitor (if you believe that you have suffered loss as a result of what has happened and/or wish to receive further personal advice)
  - A relevant professional or regulatory organisation (See Appendix B)
- 7.2 If you do take the matter outside the Council, you need to ensure that you do not disclose confidential information.

## **8. THE RESPONSIBLE OFFICER**

- 8.1 The Chief Officer – Governance as Monitoring Officer has overall responsibility for the maintenance and operation of this policy and will receive copies of all correspondence and documentation relating to any concern raised under the policy. A record of concerns raised, and the outcomes will be maintained by the Monitoring Officer but in a form which does not endanger your confidentiality. The Monitoring Officer will report as necessary to the Council's relevant committee/body.

**Appendix A****LIST OF DESIGNATED OFFICERS**

| Name          | Position  | Contact  |
|---------------|---|--|
| Luke Gorst    | Chief Officer – Governance and Monitoring Officer | 01524 582024<br><a href="mailto:lgorst@lancaster.gov.uk">lgorst@lancaster.gov.uk</a>       |
| Alex Kinch    | Chief Officer – People and Policy                 | 01524 582083<br><a href="mailto:akinch@lancaster.gov.uk">akinch@lancaster.gov.uk</a>       |
| Paul Thompson | Chief Officer – Resources and S151 Officer        | 01524 582603<br><a href="mailto:pthompson@lancaster.gov.uk">pthompson@lancaster.gov.uk</a> |
| Mark Davies   | Chief Executive                                   | 01524 582066<br><a href="mailto:mdavies@lancaster.gov.uk">mdavies@lancaster.gov.uk</a>     |

## Appendix B

## LIST OF REGULATORY BODIES

|                              |  |
|------------------------------|--|
| Health and Safety Executive  | <a href="http://www.hse.gov.uk">www.hse.gov.uk</a> tel: 0300 0031647<br>Redgrave Court<br>Merton Rd Bootle Merseyside<br>L20 LHS   |
| The Environment Agency       | <a href="mailto:enquiries@environment-agency.gov.uk">enquiries@environment-agency.gov.uk</a> tel:<br>03708 506506<br>National Customer Contact Centre<br>PO Box 544<br>Rotherham<br>S60 1BY  |
| The Information Commissioner | <a href="https://ico.org.uk/">https://ico.org.uk/</a><br>tel: 0303 123113<br>Wycliffe House Water Lane Wilmslow<br>SK9 5AF   |
| HM Revenues and Customs      | <a href="http://www.gov.uk/government/organisations/hm-revenue-customs">www.gov.uk/government/organisations/hm-revenue-customs</a><br>tel: 0800 788887<br><br><a href="http://www.gov.uk/government/organisations/hm-revenue-customs">www.gov.uk/government/organisations/hm-revenue-customs</a> |
| The Food Standards Agency    | <a href="http://www.food.gov.uk">www.food.gov.uk</a> <a href="mailto:helpline@food.gov.uk">helpline@food.gov.uk</a> tel:<br>0330 332 7149<br>Floors 6 and 7, Clive House<br>70 Petty France<br>London<br>SW1H 9EX  |
| Homes England                | <a href="mailto:enquiries@homesengland.gov.uk">enquiries@homesengland.gov.uk</a><br>tel: 0300 1234500<br>50 Victoria St<br>Westminster London SW1H 0TL   |
| Regulator of Social Housing  | <a href="mailto:enquiries@rsh.gov.uk">enquiries@rsh.gov.uk</a><br>tel: 0300 1245225<br>Referrals and Regulatory Enquiries Team<br>Regulator of Social Housing<br>Level 2<br>7-8 Wellington Place<br>Leeds<br>LS1 4AP   |



|                              |  |
|------------------------------|--|
| Lancashire Supporting People | <a href="mailto:sp.team@lancashire.gov.uk">sp.team@lancashire.gov.uk</a><br><br>tel: 01772 534266<br>The Supporting People Team<br>Lancashire County Council<br>Preston<br>PR1 3EA |
|------------------------------|--|

| Version Number | Effective Date | Reason   | Review Date |
|----------------|----------------|--|-------------|
| 1.0            | 11.10.11       | Approved by Standards Committee on 11 October 2011.  | -           |
| 2.0            | 18.01.23       | Minor amendments to the policy to ensure it is up to date. Amendment policy approved by the Monitoring Officer | 12.12.24    |
|                |                |  |             |

**AUDIT COMMITTEE****External Auditors Annual Report Financial Years  
2020-21 to 2022-23****19 March 2025****Report of Chief Finance Officer****PURPOSE OF REPORT**

To provide the Committee with the Annual Audit Report for the financial years 2020/21, 2021/22 and 2022/23, issued by Deloitte's and that no significant weaknesses were identified in respect of the Value for Money assessment categories.

**This report is public.**

**RECOMMENDATIONS**

- That the Audit Committee note the Annual Audit Report for the financial years 2020/21, 2021/22 and 2022/23, issued by Deloitte's
- That the Audit Committee considers the findings in Deloitte's Value for Money assessment (**Appendix A**) and that no significant weaknesses were identified in respect of the Value for Money assessment categories

**1.0 INTRODUCTION**

- 1.1 The Council's external auditors are required to complete a Value for Money (VfM) assessment as part of the audit of the accounts. The National Audit Office (NAO) Code of Practice regulations set out how the auditor is required to report whether an authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Following the consideration by this Committee, the Annual Audit Report will go on to full Council for consideration at the meeting on 23<sup>rd</sup> April 2025

**2.0 BACKGROUND**

- 2.1. Under the Local Audit and Accountability Act 2014 and 2020 National Audit Office (NAO) code of Audit Practice, auditors are required to carry out a value for money audit in line with the NAO code.
- 2.2. The Value for Money report includes the auditor's assessment of VfM arrangements against three required reporting criteria:
- **Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services
  - **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks

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

- 2.3 The VfM assessment moved away from a binary qualified/ unqualified conclusion and now includes commentary against each of these three areas and reports on the arrangements put in place by the Council to deliver value for money. It is now also a requirement that the report be presented to Council for consideration.
- 2.4 The purpose of preparing and issuing annual audit reports is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the Auditors' work, which they consider should be brought to the attention of the audited body.
- 2.5 As the Committee is aware there has been several ongoing issues within the Public Sector Audit Regime which has severely impacted the audit of the Councils Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23. In order to address this failure within the system the Government introduced "backstop" arrangements.
- 2.6 Details of these arrangements have been previously presented to the Committee as part of the Chief Finance Officers Statement of Accounts Update reports, with the current position elsewhere on this agenda. However, a fundamental requirement of the backstop provisions is the completion of the VfM conclusion.
- 2.7 This is the last report to be prepared by Deloitte, with the Councils External Auditor changing to KPMG from 2023/24. The External Auditor has been invited to attend the meeting in order to present the letter and respond to Members questions.

### 3.0 SUMMARY FINDINGS

- 3.1 The final Value for Money report from Deloitte is included within the Auditor's Annual Report attached at **Appendix A**. Summary details of the Risk Assessment and Conclusions for the applicable years is copied in table 1 below.

Table 1 Summary Findings

| Financial Year | Risk Assessment                 | Conclusion                         |
|----------------|---------------------------------|------------------------------------|
| 2020/21        | No risk of significant weakness | No significant weakness identified |
| 2021/22        | No risk of significant weakness | No significant weakness identified |
| 2022/23        | No risk of significant weakness | No significant weakness identified |

- 3.2 Deloitte have raised a small number of other improvement recommendations many of which the Council has already actioned and will continue to implement over the coming year. An action plan detailing managements response, action owners and dates is included at **Appendix B**

### 4.0 DETAILS OF CONSULTATION

- 4.1 No consultation is required, and none has been undertaken.

## **5.0 OPTIONS AND OPTIONS ANALYSIS**

- 5.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary commentary regarding any matters arising.

## **6.0 CONCLUSION**

- 6.1. Deloitte's conclusion of the Council's Value for Money assessment is included in the Auditor's Annual Report attached at **Appendix A**.
- 6.2. The Council accepts the findings that no significant weaknesses have been found in respect of financial sustainability, governance or improving economy, efficiency and effectiveness.
- 9.3. The Council accepts recommendations made to continually improve its value for money practices which will be reported back to Audit and Performance Committee in subsequent external audit reviews.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

No implications directly arising.

### **LEGAL IMPLICATIONS**

The basic requirement for the Council to prepare accounts is set out in section 3 of the Local Audit and Accountability Act 2014. The detailed requirements are set out in the Accounts and Audit Regulations 2015. The External Auditor is required to publish an annual commentary on value for money arrangements as part of the auditor's annual report. This is to comply with the requirements of the 2020 Code of Audit Practice and Auditor Guidance Note 3.

The Councils' Constitution provides that the Audit Committee is responsible for the provision of independent assurance of the adequacy of the risk management framework and the associated control environment. The Terms of Reference of the Audit Committee require the it to provide an independent assurance of the risk management framework and the associated control environment. Noting and commenting upon the Annual Audit Letter before it is considered by Full Council is an important part of this assurance

### **FINANCIAL IMPLICATIONS**

The Value for Money report is produced as part of the contract for the external audit of the Council's accounts.

### **OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

No implications directly arising.

### **SECTION 151 OFFICER'S COMMENTS**

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

Statement of Accounts 2019/20 – 2023/24

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts Updates

[Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 31st July 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd May 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd November 2023, 6.00 p.m.](#)

[Agenda for Audit Committee on Wednesday, 26th July 2023, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council](#)

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**Email:** pthompson@lancaster.gov.uk

**Ref:**



# Lancaster City Council

Auditor's Annual Report for the years 2020/21, 2021/22 and 2022/23  
February 2024

# Contents

## Auditor's Annual Report

---

|  |    |
|--|----|
| Key messages                                       | 3  |
| Explanation of the 'backstop' arrangements         | 4  |
| Auditor's work on VfM arrangements                 | 5  |
| VfM commentary:                                    |    |
| • Financial sustainability                         | 6  |
| • Governance                                       | 8  |
| Purpose of our report and responsibility statement | 10 |

## Appendices

---

|                            |    |
|----------------------------|----|
| Council's responsibilities | 11 |
| Auditor's responsibilities | 12 |
| Recommendations summary    | 13 |

# Key Messages

## Audit report on the financial statements

|                     |  |
|---------------------|--|
| 2020/21             | We issued an unqualified opinion on the Council's financial statements on 12 December 2024. The certificate for this year has not been issued as a result of an outstanding objection. We will certify completion of our audit once the objection has been addressed.  |
| 2021/22 and 2022/23 | We issued audit reports with a disclaimer of opinion on the 2021/22 and 2022/23 financial statements on 12 December 2024, in accordance with the national 'backstop' provisions established by the Accounts and Audit (Amendment) Regulations 2024, and National Audit Office's Code of Audit Practice. Our opinions reported material known misstatements in respect of: 1) the pension membership data used in the 31 March 2022 statement of accounts was not updated for the results of the 31 March 2022 triennial valuation; 2) the pension asset included in the 31 March 2023 statement of accounts has not been capped or considered whether the total value is recognisable; and 3) the pension asset included in the 31 March 2023 statement of accounts, any recognisable asset should be included in the assets section of the balance sheet as opposed to the liability section. The certificate for these years have not been issued as a result of an outstanding objection. We will certify completion of our audits once these objections have been addressed. |

## The Council's arrangements to secure Value for Money in the use of resources

| Financial year | Risk assessment                 | Conclusion                           |
|----------------|---------------------------------|--------------------------------------|
| 2020/21        | No risk of significant weakness | No significant weaknesses identified |
| 2021/22        | No risk of significant weakness | No significant weaknesses identified |
| 2022/23        | No risk of significant weakness | No significant weaknesses identified |



# Purpose of this report

---

Our Auditor's Annual Report presents our commentary on Lancaster City Council's ('the Council') arrangements to secure economy, efficiency and effectiveness in the use of resources ('Value for Money', 'VfM'), for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

We prepared this report in accordance with the National Audit Office's ("NAO") 2024 Code of Audit Practice, and its supporting Local Audit Reset and Recovery Implementation Guidance, and Auditor Guidance Notes ('AGNs'). These are available from the NAO website. This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

Our VfM commentary is based on our assessment of the adequacy of the arrangements the Council has put in place. The extent of our work is determined by our risk assessment, and whether we have identified any risks of significant weakness in arrangements. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering, or its services represent, value for money.

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses. We have included in appendix 3 observations and recommendations from our work.

---

## Explanation of the backstop arrangements and disclaimers of opinion

There is a significant backlog in the publication of audited accounts of local authorities in England. National bodies have been working together to address the backlog, as summarised in the Financial Reporting Council's accessible guide to the overall programme of work, [Local Audit Backlog - Rebuilding Assurance](#).

The government has introduced a legislative backstop date by which local authorities must publish their final accounts, including the audit report, even if the financial statement audit is not yet complete. For financial years up to 2022/23, the backstop date is 13 December 2024. The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the backlog of local authority audits.

The backstop date limited the time available to complete our financial statement audit, and obtain sufficient, appropriate audit evidence to form an opinion for the financial years 2021/22 and 2022/23. These limitations are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit reports for the financial years 2021/22 and 2022/23.

---

# Auditor's work on Value for Money arrangements

The Section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.






The Council is required to annually review the effectiveness of the system of internal control, including VfM arrangements, and report upon this as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. The National Audit Office's Code of Audit Practice sets out three reporting criteria for the auditor to consider. Under the backstop provisions, the areas to consider in respect of these criteria have been amended, and we are not required to report against 'improving economy, efficiency and effectiveness'.

|  |  |
|--|--|
| <b>Financial Sustainability</b>                        | <i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>                        |
| <b>Governance</b>                                      | <i>How the body ensures that it makes informed decisions and properly manages its risks</i>                                  |
| <b>Improving economy, efficiency and effectiveness</b> | <i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i> |

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements. In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 and 2021/22 in assessing whether they are indicative of a risk of significant weakness in those years.

## We performed a range of procedures to inform our VfM commentary, including:

-  Interviews with key stakeholders within the organisation primarily the section 151 officer.
-  Review of Council and committee reports and attendance at audit committee meetings.
-  Reviewing reports from third parties including internal audit.
-  Considering the findings from our audit work on the financial statements for the year ended 31 March 2021.
-  Review of the Council's Annual Governance Statement.

# VfM arrangements: Financial Sustainability

## Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

## Commentary

The table below shows the Council's financial performance for each of the years covered by this report.

| £'000  | 2020/21 | 2021/22 | 2022/23 |
|--|---------|---------|---------|
| (Surplus) / Deficit on provision of services             | 4,713   | 11,559  | 4,831   |
| Cash and cash equivalents                                | 25,100  | 43,775  | 24,251  |
| Usable reserves  | 48,427  | 43,875  | 36,242  |
| Net assets   | 157,907 | 185,662 | 293,079 |
| Increase / (decrease) in General Fund                    | 2,447   | (1,776) | 5,645   |
| Increase / (decrease) in General Fund earmarked reserves | 10,317  | (2,784) | (9,778) |

The Council has a series of policies and strategies which governs its operations. These include the budget and policy framework which include the treasury management and reserves strategy.

The Council has a Medium Term Financial Strategy (MTFS) which is refreshed at least annually. In January 2023 it published its Council Plan 2024 – 2027, which is underpinned by four principles, four themes and twenty four ambitions for the Council. The Council has commenced a two phase programme considering outcome based resourcing (OBR) and then making the Council fit for the future (FFTF). This programme considers the budgets assigned to each area and how they align to the ambitions of the Council. The MTFS articulates the expected reduction to budgets and the measures that the council is exploring, which is consistent with the information provided as part of the approval of the budget. We recommend that when the Council is making decisions throughout the year that the longer term impact of this decision and any wider impact on the MTFS is presented to members when decisions are being made to promote transparent decision making (Recommendation 1).

# VfM arrangements: Financial Sustainability (continued)

---

## Commentary

---

The Council has an established annual financing planning process in order to develop the annual budget, which is approved at Council in February annually. The Council's annual planning process and process around identification of significant pressures was significantly impacted by the COVID-19 pandemic. We saw evidence that the Council adapted its arrangements to respond and the revised approach was in line with our expectation in the operating environment during 2020/21. As part of the budget and MTFS preparation there is consultation with stakeholder groups where feedback is sought and incorporated into revised budgets and MTFS. The Council as part of its budget preparation includes a "perfect storm" scenario where it assumes all downside scenarios occur and then the associated impact on the general fund balance. As part of this the Council considers whether it has sufficient balances to meet all these risks in the short term.

The Council has identified the need to make savings both now and in the future. As part of the budget preparation it presents the identified savings and any gaps for the following year and the subsequent three years. As the Council has included in its forecast that it anticipates consuming reserves, it is important that it continues to report on any changes to the budget, identifies early any opportunity for savings, tracks where savings are realised and reports on this to the appropriate levels within the Council. Additionally, any decisions that are taken with an impact on finance should have the budgetary and reserves implications clearly detailed (Recommendation 2). The Council has also over the budgets for the period 2020/21 to 2023/24 increased its General Fund minimum balances from £2.5m to £5m.

The Council is a relatively high cost authority when compared to its CIPFA nearest neighbours and we recommend that the Council critically considers opportunities to make savings in areas where they appear to be an outlier (Recommendation 3).

The Council performs horizon scanning and considers the impact on the MTFS and budget. One of the identified risks is in relation to the nuclear power station and the uncertainty over any unplanned outages and ultimately any decommissioning and closure, due to the substantial value of non-domestic rates obtained from the power station whilst it is in operation. As part of the MTFS the Council models the pessimistic scenario and this is then updated as and when there are any changes to planned decommissioning dates. We understand that these dates based on the latest information in December 2024 are 2027 and 2028 respectively. The Council prepares formal quarterly reporting which includes reporting on performance, projects and also resources. This is underpinned by budget meetings between service accountants, budget holders and the Chief Executive where significant variances to budget are discussed as well as forward looking changes to policies or regulatory changes which may impact on year-end outturn or future periods. Outside of this, the Council considers changes to national guidance / policies, such as the change in PWLB criteria during 2020/21, and the associated impact on projects.

# VfM arrangements: Governance

---

## Approach and considerations

---

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee.

---

## Commentary

---

The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are available on the Council's website. The Audit Committee is responsible for approving the annual internal audit plan and receives updates at Committee meetings throughout the year.

Management have detailed in their Annual Governance Statements covering the financial periods 2017/18 – 2021/22 that risk management is an area requiring a greater degree of embedding within the Council. This has been widely discussed at Cabinet, Council and Audit Committee meetings and the Council has taken steps to report and monitor risks within the organisation. During FY22/23 the Council have established a corporate project in relation to risk management to embed and establish the process for risk management. As the Council moves through this corporate project on risk management, we recommend that there is a regular review on the reporting undertaken and the processes and systems developed to ensure that they meet the needs of the various users / stakeholders (Recommendation 4).

The Council has two shared service arrangements in relation to revenue and benefits and the corporate enquiry team. These arrangements have in place since 2011 and 2015 respectively. Both of these arrangements ended on 30 June 2021, with Cabinet approving the extension of these arrangements formally on 13 July 2021. We recommend that where services are delivered under a shared service arrangement that the new contracts are approved in advance of the previous arrangements expiring (Recommendation 5).

# VfM arrangements: Governance (continued)

---

## Commentary

---

The Council has an Internal Audit Function to provide independent, objective assurance to enhance the controls in the organisation. The internal audit opinions for the years ended 31 March 2021, 2022 and 2023 were adequate, limited and moderate respectively. The Council until 31 March 2021 operated a shared arrangement with Wyre Borough Council for the provision of internal audit. This was supplemented by the Council via contracting arrangements with Lancashire County Council, Mersey Internal Audit Agency and Fylde Borough Council, along with activity being undertaken internally within the Council in order to be able to form an Head of Internal Audit opinion. When the arrangement ceased on 31 March 2021, the Council was without an internal audit function for six months prior to the appointment of Mersey Internal Audit Agency to fulfil the internal audit role. Internal audit have provided as part of their opinion areas of improvement and we recommend that management continues to ensure that the changes to the control environment are culturally embedded within the Council, and that the Council continues to consider the use of internal audit within the organisation. The Council should also ensure that it is performing root cause analysis of any control recommendations and then embedding this more widely throughout the organisation (Recommendation 6).

We have observed that the finance function is relatively small and therefore there is a degree of reliance on key team members. We understand from management that the Council has reviewed the capacity in the finance team and during 2024 has hired a number of trainee accountants. We recommend that the Council routinely reviews the capacity of the finance team to ensure that it is able to adequately support the Council in the delivery of the MTFS (Recommendation 7).

The Council adapted its arrangements in response to the COVID-19 pandemic, this included temporary management structures, revision of the scheme of delegation and the establishment of a Financial Resilience Group.

Members are invited to training sessions based on a schedule prepared by the Council. The training covers areas such as “what the budget does” / “the statement of accounts”. The Council has an appropriate blend of Councillors reflecting the political make up of the Council. The Council should consider the training needs of members annually and whether there are appropriate financial skills in order to challenge management on key financial assumptions and whether any additional training should be provided (Recommendation 8).

# Purpose of our report and responsibility statement

## What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that includes our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

## What we don't report

Our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed under the Code of Audit Practice.

## The scope of our work

Our observations are developed in the context of our audit work.

We described the scope of our work in our reports to the Audit Committee.

## Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

**Deloitte LLP**

Newcastle Upon Tyne | 19 February 2025

# Appendix 1: Council's responsibilities

---

**Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.**

**Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.**

**All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.**

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts and Audit (Amendment) Regulations 2024 establish a backstop date by which the Council is required to publish its Statement of Accounts (other than in specific circumstances).

---



# Appendix 2: Auditor's responsibilities

## **Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in November 2024, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the 2024 Code of Audit Practice, our work for 2020/21, 2021/22 and 2022/23 has only considered arrangements in respect of two reporting criteria (financial sustainability and governance), in line with the national requirements for audits affected by the backstop arrangements.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's responsibilities for the audit of the financial statements**

The objective of an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Where it is not possible to complete the audit of the financial statements by the relevant "backstop" date established by the Accounts and Audit (Amendment) Regulations 2024, the auditor is required to issue an audit opinion with a limitation of scope or with a disclaimer of opinion (depending on the extent of assurance it is possible to obtain by that date).

A description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Auditor's other responsibilities**

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is: about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- issue a report in the public interest.

# Appendix 3: Recommendation summary

Throughout our report we have included areas of improvement, which do not represent a significant weakness. We have summarised these below:

| Number | Area                     | Recommendation   |
|--------|--------------------------|--|
| 1      | Financial sustainability | The Council should ensure that when it is making decisions throughout the year, that the longer term impact of decisions and any wider impact on the MTFS is considered and presented to members to promote transparent decision making.   |
| 2      | Financial sustainability | The Council should report on any changes to the budget, identify early any opportunity for savings, tracks where savings are realised and report on this to the appropriate levels within the Council. Additionally, any decisions that are taken with an impact on finance should have the budgetary and reserves implications clearly detailed   |
| 3      | Financial sustainability | The Council should critically consider the opportunities to make savings in areas where they appear to be an outlier in the CIPFA nearest neighbour benchmarking data.   |
| 4      | Governance               | As the Council moves through the corporate project on risk management, it should regularly review the reporting undertaken and the processes and systems developed to ensure that they meet the needs of the various users / stakeholders.   |
| 5      | Governance               | The Council should maintain a forward register of expiry dates on contracts and ensures that there is timely review and approval of new contracts where appropriate to ensure a consistency of service and that contracts are renewed prior to their expiry.   |
| 6      | Governance               | Management should continue to ensure that the changes to the control environment are culturally embedded throughout the Council, and that the Council continues to consider the use of internal audit within the organisation. The Council should also ensure that it is performing root cause analysis of any control recommendations and then embedding these more widely within the organisation where appropriate. |
| 7      | Governance               | The Council should routinely review the capacity of the finance team to ensure that it is able to adequately support the council in the delivery of the MTFS.  |
| 8      | Governance               | The Council should consider whether there are appropriate financial skills in order to challenge management on key financial assumptions and whether any additional training should be provided.   |

This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private [company limited by guarantee (“DTTL”). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

## Annual Audit Report Action Plan

## APPENDIX B

| Number | Area                     | Recommendation   | Management Actions, Owners & Action Dates  |
|--------|--------------------------|--|--|
| 1      | Financial sustainability | The Council should ensure that when it is making decisions throughout the year, that the longer-term impact of decisions and any wider impact on the MTFS is considered and presented to members to promote transparent decision making.   | <p><u>Accepted</u><br/>All Council reports provide the financial implications of any decision. In addition, there are comments from both the s151 Officer and Monitoring Officer. However, based on the materiality of the financial impact there is potential to expand these comments to reference items such as the impact on the ongoing deficit, reserve balances etc.</p> <p><u>Owner</u><br/>Chief Finance Officer</p> <p><u>Action Date</u><br/>Q1 2025/26</p>         |
| 2      | Financial sustainability | The Council should report on any changes to the budget, identify early any opportunity for savings, tracks where savings are realised and report on this to the appropriate levels within the Council. Additionally, any decisions that are taken with an impact on finance should have the budgetary and reserves implications clearly detailed | <p><u>Accepted</u><br/>Changes to the budget and progress against savings targets are reported as part of the Council's Delivering our Priorities (DoP) quarterly monitoring cycle. As noted above based on the materiality of the financial impact there is potential to expand these comments to reference items such as the impact on the ongoing deficit, reserve balances etc.</p> <p><u>Owner</u><br/>Chief Finance Officer</p> <p><u>Action Date</u><br/>Q1 2025/26</p> |

|   |                          |  |   |
|---|--------------------------|--|---|
| 3 | Financial sustainability | The Council should critically consider the opportunities to make savings in areas where they appear to be an outlier in the CIPFA nearest neighbour benchmarking data.   | <p><u>Accepted</u><br/>The Council does make use of benchmark data; however, it is not consistently applied throughout all services. A significant area for the Fit for the Future (FftF) is the increased use of benchmarking data, it will not be limited to CIPFA and will include other appropriate organisations such as Association for Public Service Excellence (APSE) and the Local Government Association (LGA).</p> <p><u>Owner</u><br/>Chief Finance Officer</p> <p><u>Action Date</u><br/>To be developed throughout 2025/26</p> |
| 4 | Governance               | As the Council moves through the corporate project on risk management, it should regularly review the reporting undertaken and the processes and systems developed to ensure that they meet the needs of the various users / stakeholders. | <p><u>Accepted</u><br/>Whilst the Council has made significant strides forward in regard to risk management it accepts there is more to do if it is to embed risk management throughout the Council and its services</p> <p><u>Owner</u><br/>Chief Officer People &amp; Policy</p> <p><u>Action Date</u><br/>Progress to be maintained throughout 2025/26</p>   |

|   |            |  |  |
|---|------------|--|--|
| 5 | Governance | The Council should maintain a forward register of expiry dates on contracts and ensures that there is timely review and approval of new contracts where appropriate to ensure a consistency of service and that contracts are renewed prior to their expiry.   | <p><u>Accepted</u><br/>As part of the on-going work within Procurement the existing central contracts register has been updated. However, the Council does recognise the importance of contract management and work is currently underway to improve this area.</p> <p><u>Owner</u><br/>Chief Officer Governance</p> <p><u>Action Date</u><br/>Progress to be maintained throughout 2025/26</p>  |
| 6 | Governance | Management should continue to ensure that the changes to the control environment are culturally embedded throughout the Council, and that the Council continues to consider the use of internal audit within the organisation. The Council should also ensure that it is performing root cause analysis of any control recommendations and then embedding these more widely within the organisation where appropriate. | <p><u>Accepted</u><br/>The position that led to a gap in Internal Audit provision was very much an isolated incident and Internal Audit is an integral and fundamental part of the Council's control environment. Where there has been evidence of control issues, external reviews have been undertaken to ensure an objective approach in examining the cause and also identifying solutions</p> <p><u>Owner</u><br/>Senior Leadership team</p> <p><u>Action Date</u><br/>Progress to be maintained throughout 2025/26</p> |

|   |            |  |   |
|---|------------|--|---|
| 7 | Governance | The Council should routinely review the capacity of the finance team to ensure that it is able to adequately support the council in the delivery of the MTFS.                                    | <p><u>Accepted</u></p> <p>For several reasons the finance team has run below capacity for a number of years. However, we have been successful in recruiting 3 accountancy apprentices and a senior accountant. Whilst it will take time for the individuals to develop resilience has been built within the team.</p> <p><u>Owner</u><br/>Chief Finance Officer</p> <p><u>Action Date</u><br/>Progress to be maintained throughout 2025/26</p>                  |
| 8 | Governance | The Council should consider whether there are appropriate financial skills in order to challenge management on key financial assumptions and whether any additional training should be provided. | <p><u>Accepted</u></p> <p>Members training needs are considered throughout the year and whilst key financial assumptions can be technical in nature training has been provided for Members in areas such as, general economic outlook, treasury management, capital accounting, risk management etc</p> <p><u>Owner</u><br/>Chief Finance Officer &amp; Chief Officer Governance</p> <p><u>Action Date</u><br/>Progress to be maintained throughout 2025/26</p> |

AUDIT COMMITTEE

Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts 2024/25

Report of Chief Finance Officer

19 March 2025

|   |
|---|
| <div>PURPOSE OF REPORT</div> <div>The report sets out the Council’s proposed accounting policies and critical judgements to be adopted in completing the 2024/25 Statement of Accounts.</div> |
| <div>This report is public</div>  |

RECOMMENDATIONS

It is recommended that the Audit Committee:

1.

Approves the Council’s proposed accounting policies to be adopted in completing the 2024/25 Statement of Accounts, as set out in Appendix 1
2.

Notes the critical judgements made by management when producing the Statement of Accounts. as set out in Appendix 2

1.0 INTRODUCTION

- 1.1

This report presents the significant accounting policies and critical judgements that will be used in the preparation of the 2024/25 Statement of Accounts and summarises the changes from 2023/24 that have been introduced because of amendments to the Code of Practice on Local Authority Accounting 2024/25 (the Code), or as part of the Council’s annual review process. They should contain only policies that are relevant to the circumstances of the Council and address material transactions. In line with best practice both should be subject to annual review and agreement by those charged with governance

2.0 ACCOUNTING POLICES

- 2.1

In preparing the statement of accounts, the Chief Finance Officer is responsible for selecting suitable accounting policies and ensuring that they are applied consistently. The Council’s accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies must be disclosed as a note to the annual accounts, and a copy of the policies can be found at **Appendix 1.**



### **3.0 CHANGES TO ACCOUNTING POLICIES**

- 3.1 The accounting policies proposed in respect of 2024-25, are largely unchanged from previous years. However, it is proposed to amend the accounting policy 16 Leases for the following reasons:
- 3.2 The introduction of IFRS16 which sets out the principles for recognition, measurement, presentation and disclosure requirements of Leases by introducing a single lessee accounting model which provides greater transparency of the lessee's financial leverage and capital employed by requiring recognition of right of-use assets and lease liabilities on balance sheet.
- 3.3 IFRS16 was initially due for implementation from 01 April 2020 but was delayed due to Covid-19 until 1 April 2022. In response to audit delays, however, the then Department for Levelling Up, Housing and Communities, now Ministry of Housing, Communities and Local Government (MHCLG) asked CIPFA to consider some time-limited changes to the Code, which would ease these delays. Following consultation and review by the Financial Reporting Advisory Board (FRAB), CIPFA confirmed a further optional delay for a period of two years until 1 April 2024. The impact of adopting this new standard will therefore be reflected for the first time in the 2024-25 Statement of Accounts and Accounting Policies.
- 3.4 As the Statement of Accounts are prepared, it may be necessary to amend a policy in order to adopt a more appropriate accounting policy. If this occurs, the change and the reason for the change will be reported back to the Audit Committee at its next available meeting and / or will be highlighted within the report when the Statement of Accounts is presented to Members for approval. Full details of all the proposed accounting policies for 2024-25 are provided at Appendix 1,

### **4.0 CRITICAL JUDGEMENTS**

- 4.1 In line with IFRS and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are shown at **Appendix 2**.

### **5.0 DETAILS OF CONSULTATION**

- 5.1 Consultation has taken place with the Council's external advisors.

### **6.0 OPTIONS AND OPTIONS ANALYSIS**

- 6.1 The options that Audit Committee Members might consider in relation to the contents of this report are:
- a) not to approve any of the accounting policies or note the critical judgements.
  - b) not to approve some of the accounting policies or note the critical judgements.
  - c) to approve all the accounting policies and note the critical judgements
- 6.2 The preferred option is option C at paragraph 5.1 - to approve all the accounting policies and note the critical judgements

### **7.0 CONCLUSION**

- 7.1 Revisions have been made to the Council's accounting policies for 2023-24 to reflect the new accounting standards and the Council's material transactions.

**APPENDICES**

Appendix 1 – Proposed Accounting Policies 2024/25

Appendix 2 – Critical Judgements 2024/25

**CONCLUSION OF IMPACT ASSESSMENT****(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not Applicable

**FINANCIAL IMPLICATIONS**

None directly arising from this report

**SECTION 151 OFFICER'S COMMENTS**

Failure to complete the Statement of Accounts in line with the CIPFA Code of Practice may result in an adverse opinion from the Council's external auditors.

**LEGAL IMPLICATIONS**

S21 (1) of the Local Government Finance Act 2003 (the Act) provides that the Secretary of State by regulation may make provision about accounting practices to be followed by a local authority. The Secretary of State may also, pursuant to subsection (1A) of the Act issue guidance about the accounting practices to be followed by a local authority. Lancaster City

Council, pursuant to s21 (1B) must have regard to any guidance issued under subsection (1A).

Pursuant to s 21 (2) of the Act, where legislation to which s21 of the Act applies references 'proper practices', in relation to local authority accounts, this means the accounting practices which the local authority is required to follow by virtue of an any enactment or which are contained in a code of practice or other document which is identified for the purposes of s21 by regulations made by the Secretary of State.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is a code of practice identified by regulations made by the Secretary of State (Regulation 31 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

This report and the Accounting Policies referred to meet the Council's obligation to comply with the Code of Practice

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to make on this report.

**BACKGROUND PAPERS**

**Contact Officer:** Paul Thompson  
(Chief Finance Officer)

**Telephone:** 01524 582603

**Email:** [pthompson@lancaster.gov.uk](mailto:pthompson@lancaster.gov.uk)

**Ref:**

## 1. ACCOUNTING POLICIES

### 1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position on 31 March 2025. The accounts of the Council have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), taking account of the supplementary guidance notes issued by CIPFA on the application of the Code to local authorities, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

### 1.2 Revenue Recognition and Accruals of Income and Expenditure

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

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.
- Interest receivable on investments is accounted for as income based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income has been recognised but cash has not been received, a debtor 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 for the income that might not be collected.
- 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 expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet.

**1.2 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 investments that mature or are available for recall in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and 3 months or less term deposit and instant access money market funds.

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.

**1.3 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, i.e. 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 the 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.

**1.4 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement which is calculated on a prudent basis in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**1.5 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, 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 themselves. Billing authorities are required by statute to maintain a separate fund (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.

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 in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and 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 (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 1.6 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, bonuses and non-monetary benefits (e.g. cars) 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 earned by employees but not taken before the year-end, as employees can carry this forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves 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 the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

### The Local Government Pension Scheme

Generally, employees of the Council are members of the Local Government Pension Scheme, which is administered on our behalf by Lancashire County Council. It is accounted for as a defined benefits scheme.

Defined benefit scheme - the scheme rules define the benefits independently of contributions payable, and the benefits are not directly related to the investments of the scheme.

|   |
|---|
| scheme. The scheme may be funded or unfunded. |
|---|

The liabilities of the Lancashire Pension Fund 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.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. Liabilities are discounted to their value at current prices using a discount rate.

The assets of Lancashire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

|                            |                       |
|----------------------------|-----------------------|
| <b>Quoted securities</b>   | Current bid price     |
| <b>Unquoted securities</b> | Professional estimate |
| <b>Unitised securities</b> | Current bid price     |
| <b>Property</b>            | Market value          |

The change in the net pension's liability is analysed into the following components:

| Component                          | Description  | Treatment   |
|------------------------------------|--|---|
| <b>Service Costs</b>               |  |   |
| Current service costs              | Measures the future service costs of the employer estimated to have been generated in the year.  | Charged to the comprehensive income and expenditure statement to the services for which employees worked.                         |
| Past service costs                 | The increase in liabilities as a result of a current year scheme amendment or curtailment whose effect relates to years of service earned in previous years.   | Charged to comprehensive income and expenditure statement as past non-distributed costs.  |
| Interest costs                     | The expected increase in the present value of liabilities as members of the plan are one year closer to receiving their pension. The provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to pace with current values. | Charged to the financing statement, investment income and expenditure line of the comprehensive income and expenditure statement. |
| <b>Re-measurements</b>             |  |   |
| Return on plan assets              | This is a measure of the return on investment assets held by the plan over the year.   | Charged to the pensions reserve or other comprehensive income and expenditure.  |
| Actuarial gains/losses             | These arise where actual events do not coincide with the actuarial assumptions made for the valuations or the actuarial assumptions have been changed.   | Charged to the pensions reserve or other comprehensive income and expenditure.  |
| <b>Contributions</b>               |  |   |
| Contributions paid to pension fund | Cash paid as employer's contribution to the pension fund in settlement of liabilities.   | These are 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 Council to the Pension Fund or directly to the 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 appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners on any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve 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 that are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards or retirement benefits in the event of early retirement. 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.

## **1.7 Events after the Balance Sheet Date**

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 events 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.

## **1.8 Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured by fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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 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 that the Council has, this means that 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 the Financing and Investment Income and Expenditure line 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 or 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 in 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 cash flow characteristics. There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. 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 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 comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

There is no recognition of gains or losses on fair value until reclassification or derecognition of the asset. Any gains or losses that arise on the de-recognition of the asset are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

#### Financial assets measured at fair value through other comprehensive income (FVOCI)

The Council also holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investments requirements while ensuring the Council is not subject to a high degree of credit risk. These assets are measured at FVOCI.

Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For these financial assets held by the Council, this means that the amount presented in the balance sheet is the fair value of the financial instrument and the interest credited to the



comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

The fair value measurements of the 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 authority 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 changes in the fair value of the assets are charged to other comprehensive income and expenditure in the comprehensive income and expenditure statement and balanced by an entry in the financial instrument's revaluation reserve.

Any gains or 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, along with any accumulated gains or losses previously recognised in the financial instruments revaluation reserve.

#### Financial assets measured at fair value through profit of loss (FVPL)

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 due to changes in fair value are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement as they arise.

#### Expected credit loss model

The Council recognises expected credit losses on its financial assets held at amortised cost or FVOCI (subject to materiality) either on a 12-month or lifetime basis.

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 based on 12-month expected losses.

Lifetime losses are recognised for trade receivables (debtors) held by the Council.

### **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 authority 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or 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 (non-ring-fenced 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 in 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 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.

### **1.11 Business Improvement Districts**

Business Improvement District (BID) schemes apply to Lancaster City Centre and Morecambe Town Centre. The Scheme is funded by a BID levy paid by non-domestic ratepayers. The Council collects the levy in respect of the BID and pays this across to Lancaster BID Ltd and Morecambe BID Ltd CIC as managing bodies for the Scheme.

### **1.12 Heritage Assets**

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The collection has an indeterminate life and is subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The valuation of the Council's heritage assets has included a degree of estimation. With respect to the museum's collection, those assets considered to have a value of £10,000 or over have been identified and valued as separate items. The rest of the collection involves a large quantity of small value items for which it is not considered to be economic to value each item separately. Therefore, a sample of items was valued by the museums staff. The resulting value was then used to give an estimated value of the whole collection. It is considered that the result provides a fair reflection of the value of the Council's holding.

The Council has a detailed acquisitions and disposal policy, further information on which can be obtained from the Council. Disposals will not be made with the principal aim of generating funds. It is considered that the collection has a long-term purpose and, therefore, there is a strong presumption against disposal. If any items are thought to be appropriate for rationalisation, the Museums Association Code of Practice for the review of collections is followed. This is a lengthy process that allows for efforts to find an alternative home/location for an item before any consideration of final disposal is made.

### **1.13 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 (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services (which is the case in practice).

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

#### **1.14 Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is shown in the accounts at the latest replacement cost net of provision for obsolescence / reduction in value, as an estimation of the net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **1.15 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement dated. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

#### **1.16 Leases**

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.

## The Council as Lessee

### Initial Measurement

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

Right-of-use assets are measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### Subsequent measurement

Right-of-use assets are 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 of Practice On Local Authority Accounting, 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 authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

#### Lease Expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straightline 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 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. 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 Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating

expenditure line in the Comprehensive Income and Expenditure Statement. Charges are made on a straight-line basis over the life of the lease, 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 (excluding infrastructure)**

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 the administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

See accounting policy 1.21 for details of the Council's infrastructure assets policy

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant or 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Componentisation**

Where a property, plant and equipment asset have major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

#### **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.

Assets that are being constructed by the Council will initially be recognised at cost. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase are deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially by fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until the 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 basis:

| Category                                | Measurement Basis   |
|---|---|
| Community assets                        | Depreciated historical cost   |
| Dwellings                               | Current value, determined using the basis of existing use value social housing (EUV-SH)   |
| Operational Property, Plant & Equipment | Current value, determined as the amount that would be paid for an asset in its existing use (existing use value – EUV), except for offices that are situated close to the Council's housing properties where there is no market for office accommodation, and that are measured at depreciated replacement cost which is used as an estimate of current value |
| Surplus assets                          | Fair value – highest and best   |
| All other assets                        | Existing use value  |

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly (but as a minimum every three years) to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuation 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 a loss previously charged to a service.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains, unless the gain reverses a loss previously charged to a service. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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 01 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Valuations are provided as at 1<sup>st</sup> April and are undertaken internally by Lancaster City Council's Property Service department in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

### 1.19 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 an 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.

### 1.20 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over the time of their useful lives.

Depreciation is calculated on the following basis:

| Category                      | Method and period over which assets depreciated   |
|-------------------------------|---|
| Land                          | Not depreciated   |
| Council Dwellings             | Straight-line allocation on a componentised basis over the useful life of the property as estimated by the Valuer; (5 - 80 years) |
| Other buildings               | Straight-line allocation on a componentised basis over the useful life of the property as estimated by the Valuer; (5 - 40 years) |
| Vehicles, plant and equipment | Straight-line allocation over 10 to 15 years depending on the type of asset;  |
| Community Assets              | Not depreciated   |
| Assets under construction     | Not depreciated   |
| Assets held for sale          | Not depreciated   |
| Heritage assets               | Not depreciated   |

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 the 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 continual 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 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.
- Their recoverable amount at the date of the decision not to sell.

Assets that are 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 or 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 (i.e. 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 receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to 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 in the Movement in Reserves Statement.

Capital receipts can only be used to fund new capital investment or, be set aside to reduce the Council's underlying need to borrow (the capital financing requirement). However, the flexible use of capital receipts allows revenue expenditure to be funded from capital receipts where it generates ongoing revenue savings or transforms service delivery to reduce costs.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under the separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **1.21 Infrastructure Assets**

Infrastructure assets include sea and river defences, footways, cycleways and footbridges and street improvement works.

#### Recognition

Expenditure on the acquisition of infrastructure assets is capitalised on an accruals basis, if it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

#### Measurement

Infrastructure assets are measured on a depreciated historical cost basis. However, for opening balances for infrastructure assets held under the accounting rules that applied before 1 April 1994 this is a modified form of historical cost with expenditure that was incurred before this date only included to the extent that it had not been financed before the end of the 1993/94 financial year.

Where material impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

#### Depreciation

Depreciation is provided on infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various infrastructure assets are assessed using industry standards where applicable as follows:

| <b>Asset Type</b>                        | <b>Useful Life</b> |
|--|--------------------|
| Sea & River Defences                     | 40 years           |
| Environmental Improvement Works          | 40 years           |
| Street Furniture, lighting & landscaping | 40 years           |
| Footways & Cycleways                     | 20 years           |

#### Disposal and derecognition

When a component of an infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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.

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

### **1.22 Minimum Revenue Provision**

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual charge to revenue towards the reduction in its overall borrowing requirement, which is calculated on a prudent basis determined in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP).

### **1.23 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 in the year that the authority becomes aware of the 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 (e.g. 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 authority 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 authority 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.

## **1.24 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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 and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement 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, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

## **1.25 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 is 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 in 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.

## **1.26 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.27 Fair Value Measurement**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received to sell an asset or paid to transfer a

liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability; or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities 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

### **1.28 Group Accounts**

The Council has two wholly owned subsidiary companies, which are currently not trading. Once a trading these will be consolidated into the Council's group accounts on a line-by-line basis, after eliminating intra-group transactions. An entity could be material but still not consolidated if all of its business is with the county council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts.

## 2.0 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### Property Plant & Equipment

The Council's non-current assets within its general fund are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors. The council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a three-year cycle. All assets reviewed had a valuation date of 1 April 2024. Any material changes after the valuation date have been accounted for.

### Council Dwellings

The Council's Housing Stock is valued on the balance sheet at Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014. Council dwellings are formally revalued every 5 years in accordance with MHCLG's the "Beacon Principal" with desktop reviews in the intervening years.

### Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties confirming they are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property, such as regeneration.

### Provisions

The Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that may result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases, experience in previous years or in other local authorities.

AUDIT COMMITTEE

Statement of Accounts Update

19 March 2025

Report of Chief Finance Officer

| PURPOSE OF REPORT  |
|--|
| To provide the Committee with an updated position regarding the conclusion of the audits of the 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 Statement of Accounts, and the progress in preparation of the 2024/25 Financial Statements. |
| This report is public.   |

RECOMMENDATIONS

The Audit Committee is recommended to note the following areas.

1.

The progress of the audit of the 2019/20, 2020/21, 2021/22, 2022/23 and 2024/25 Statement of Accounts
2.

Preparation for production of the 2024/25 Statement of Accounts

1.0 INTRODUCTION

- 1.1

This report provides an update on key areas and events of the since the last Audit Committee meeting 24 November 2024. The paper covers the following areas.

• External Audit position of the Council’s Statement of Accounts 2019/20 – 2023/24

• Preparation for closedown 2024/25 and production of the Statement of Accounts.
- 1.2

Links to previous Statement of Accounts updates can be found at the end of this document as part of the Background Papers

2.0 BACKGROUND

- 2.1

At the last meeting of this Committee, Members considered a report providing details of the Government’s proposals to clear the backlog of unaudited Statement of Accounts that has built up over recent years. In the case of this Council, this applies to the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23.
- 2.2

As outlined in the last report, the Government set out various ‘backstop’ dates by which Councils are required to publish financial statements. These dates are as set out in the table below.

| Financial Years Statements            | Audit Backstop Deadline | Achieved |
|---------------------------------------|-------------------------|----------|
| All years up to and including 2022/23 | 13 December 2024        | Yes      |
| 2023/24                               | 28 February 2025        | No       |
| 2024/25                               | 27 February 2026        | N/A      |
| 2025/26                               | 31 January 2027         | N/A      |
| 2026/27                               | 30 November 2027        | N/A      |
| 2027/28                               | 30 November 2028        | N/A      |

2.2 Progress against achieving these deadlines is provided in the paragraphs below

### 3.0 OUTSTANDING EXTERNAL AUDIT OPINIONS 2019/20 – 2022/23

#### 2019/20 & 2020/21

- 3.1 The Audit of the 2019/20 & 2020/21 Financial Statements has now been concluded, and the auditors issued unmodified opinions for each year 5<sup>th</sup> December & 12<sup>th</sup> December 2024 respectively. A copy of the audited financial statements were published on the Council's ahead of the 13<sup>th</sup> December 2024 backstop deadline.

#### 2021/22 & 2022/23

- 3.2 The Audit of the 2021/22 & 2022/23 Financial Statements has now been concluded and in line with the backstop arrangements the auditors issued a disclaimed opinions for each year 12<sup>th</sup> December 2024. A copy of the audited financial statements were published on the Council's ahead of the 13<sup>th</sup> December 2024 backstop deadline.

- 3.3 The s151 Officer would like to remind Members of the Committee that the issuing of a disclaimed opinion attributable to the backstop date do not indicate significant financial reporting or financial management issues. Deloitte's Annual Audit Report for the Financial Years 2020/21 to 2022/23 has been presented elsewhere on this agenda.

#### 2023/24

- 3.4 KPMG have been appointed as the Council's External Auditors for the 5-year period 2023/24 to 2028/29. As previously reported the delays in issuing the audit opinions and addressing the objection to the prior year's financial statements have impacted their ability to undertake work on the 2023/24. Similar to previous years audits a backstop date of 28<sup>th</sup> February 2025 was provided to issue an audit opinion. Regrettably **we did not achieve this deadline**, and a note has been published on the Council's website [Statement of Accounts - Lancaster City Council](#)

- 3.5 Members should recall that the s151 Officer did advise that given the volume of work outstanding from previous years and the changes to the backstop dates requiring both Deloitte and KPMG requiring officer support over the same period was always going to be a challenge. Priority was given to finalising the outstanding audit work to enable Deloitte to issue their opinions and also to the work of the Council which included the delivery of

- General Fund & HRA budgets
- 10 Year Capital Programme
- Capital & Treasury Management Strategies
- Medium Term Financial Strategy
- Quarterly Monitoring Reports
- Technical issues including IFRS 16 transitions and VAT
- Staff induction and training

- 3.6 To reassure Members there are no financial consequences to the Council for not achieving the backstop date. MHCLG have published a list of all of the bodies on their website and we are 1 of 58 other public sector bodies, including 18 other District Councils who did not meet the 28<sup>th</sup> February 2025 backstop date

[Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)  
[February 2025 - audit opinion data - PSAA](#)

- 3.7 The Committee should note that only 1 non-material item is currently outstanding although a number of queries have been submitted after the backstop deadline, which are being dealt with. It is expected that KPMG will issue a disclaimed opinion by the end of this month.

#### **4.0 OUTSTANDING OBJECTIONS TO THE FINANCIAL STATEMENTS**

- 4.1 Members of the Committee will be aware of a number of longstanding objections to the Councils Financial Statements and the impact on both the Audit Opinions and Certification. The following paragraphs provide detail of the current position and any matters currently outstanding.

##### 2019/20

- 4.2 The objection the 2019/20 Financial Statements was concluded 17<sup>th</sup> June 2021, and we are awaiting confirmation of the audit certificate from Deloitte.

##### 2020/21 to 2022/23

- 4.3 The outcome of the objections were formally communicated to the objector by Deloitte 25<sup>th</sup> February 2025. The communication outlined in detail the External Auditors considerations and conclusion against each of the 34 objections and confirms that for a number of reasons **none** of the objections have been upheld.

- 4.4 Section 28 (3) (b) of the Local Audit & Accountability Act 2014 allows the objector 21 days from the date of receipt to appeal against the decision to the court. It is understood that the objector has communicated his desire to exercise this right to Deloitte. Members should note this is no right of appeal against the decision not to issue a report in the Public Interest.

- 4.5 Until the issue of the objections is finally resolved the External Auditor will not be able to issue the Audit Certificate and formally close the 2020/21 to 2022/23 audits.

- 4.6 Deloitte have advised that based on the time incurred and the external legal advice, their proposed fee for the objection is **£48,191** to cover the 2020/21, 2021/22 and 2022/23. This is below their previous estimates, but the Committee should note that this cost excludes a considerable amount Council officer time with the true cost of the objection far exceeding this amount. The fee for the objection will be disclosed within the 2024/25 Statement of Accounts.

##### 2023/24

- 4.7 Members will recall that similar to previous years the 2023/24 Financial Statements are subject to ongoing objections by a local Council Taxpayer. The objections appear to be similar in nature and to assist KPMG have been cross referenced to those from previous years and the findings from Deloitte.

- 4.8 KPMG will need to form their own view validity of the objections and may well result in the Council incurring additional fees. It will also impact on their ability to issue the audit certificate and conclude the 2023/24 audit.



## **5.0 FEES FOR DISCLAIMED AUDITS**

5.1 Public Sector Audit Appointments Ltd (PSAA) have published guidance on how audit fees are to be determined for disclaimed audits. However, the guidance is unclear pending, pending discussion with MHCLG about the funding for "good faith" work, that is carried out that eventually made no contribution towards satisfying the auditor's responsibilities. [Update on audit fees for disclaimed audit opinions including potential refunds - PSAA](#)

5.2 Even the most basic disclaimed audit such as ours for 2021/22 and 2022/23 will have required some significant expense in meeting the requirements of Auditing Standards for the steps to be taken before an auditor can issue a disclaimer. In addition, work was completed to enable the External Auditor to provide their VFM commentary. Once the MHCLG discussions are concluded, we will be sent an interim fee variation statement, which will provide an opportunity to agree or disagree before PSAA impose a final fee variation.

5.3 Although no final variation fee has been received from PSAA there have been initial discussions with Deloitte who have suggested the following

- 2021/22 –25% of the scale fee, £44,959 which is £11,239.75, and propose £11,230.
- 2022/23 –25% of the scale fee, £44,959 which is £11,239.75, and propose £11,230.
- Value for Money – The scale fee does not include the work required under the change in standards for the years 2020/21, 2021/22 and 2022/23. The proposal is £14,000 in total for the three years, which recognises that this was performed as one single piece of work

5.4 Subject to final discussions with PSAA it is proposed that these fee values are accepted

### 2023/24

5.5 The scale fee for 2023/24 is £161,380 (2022/23 £44,959). The fee is set by PSAA and attempts to address some of the challenges faced in previous years across the audit sector. However, similar to previous years it is expected that a disclaimed opinion will be issued and there remains uncertainty in regard to the final fee charged.

## **6.0 PREPARATION OF THE 2024/25 FINANCIAL STATEMENTS**

6.1 The deadline for publishing the Council's Unaudited 2024/25 Statement of Accounts is 30<sup>th</sup> June 2025. In preparation for the production of the Statement of Accounts finance staff have undertaken a number of actions including.

- The Council's Accounting Policies & Critical Judgements have been reviewed and are presented elsewhere on this agenda for approval.
- Budget Holder Guidance Notes on Closure of Accounts 2024/25 highlighting all critical deadlines has circulated to relevant staff – **See Appendix A**
- Key members of the finance team have attended on-line training to ensure they are aware of the changes to the 2024/25 Code of Practice
- Internal planning documents have been revised to reflect the revised deadline and changes within the Code of Practice.
- Early work has been undertaken around some significant areas including Related Party Transactions, Vfm etc

## **7.0 DETAILS OF CONSULTATION**

7.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2019/20 to 2023/24 and preparation for 2024/25 and so consultation has been limited to discussion with the External Auditors.

## 8.0 OPTIONS AND OPTIONS ANALYSIS

- 8.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary commentary regarding any matters arising.

## 9.0 CONCLUSION

- 9.1 Members should note the progress and matters arising to date.

### CONCLUSION OF IMPACT ASSESSMENT

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

No implications directly arising.

### LEGAL IMPLICATIONS

S27 of the Local Audit and Accountability Act 2014 makes provision for an elector of the Council's area to make an objection to the local auditor in respect of the grounds set out at paragraph 3.4 of this Report. On receipt of an objection the local auditor must decide (a) whether to consider the objection, and (b) if the auditor does so, whether to take action within paragraph (a) and (b) of s27(1) in response.

In considering any objection, the auditor will need to have regard to the provisions of the 2014 Act and the code of audit practice applicable to the Council. The Local auditor must in carrying out functions under the 2014 Act, have regard to guidance issued by the Comptroller and Auditor General under paragraph 9 of Schedule 6 of the 2014 Act. This includes the Auditor Guidance Note 4.

An objector aggrieved by a decision of a local auditor not to consider the objection or not to apply for a declaration under s28 of the 2014 Act may within 6 weeks from notification of the decision require the auditor to provide written reasons for the decision and within 21 days from receipt of the written reasons may appeal against the decision to the court.

### FINANCIAL IMPLICATIONS

There are no financial implication flowing directly from this report.

However, Member's should be aware of the additional audit fees that may accrue because of the objection to the financial statements.

### OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

No implications directly arising.

### SECTION 151 OFFICER'S COMMENTS

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

### MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

### BACKGROUND PAPERS

Statement of Accounts 2019/20 – 2023/24

<http://www.lancaster.gov.uk/the-council-and->

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**Email:** pthompson@lancaster.gov.uk

**Ref:**

[democracy/budgets-and-spending/statement-of-accounts](#)

Statement of Accounts Updates

[Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 31st July 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd May 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd November 2023, 6.00 p.m.](#)

[Agenda for Audit Committee on Wednesday, 26th July 2023, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council](#)