



**Committee:** AUDIT COMMITTEE  
**Date:** WEDNESDAY, 19 NOVEMBER 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 30<sup>th</sup> July 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. **Updated Risk Management Policy** (Pages 3 - 30)

Report of the Chief Officer Resources

Revised Appendix published 13/11/25

6. **Strategic Risk Management** (Pages 31 - 50)

***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

7. **Annual Council Wide Summary of Risk** (Pages 51 - 61)

Report of the Chief Officer Resources

8. **Internal Audit Progress Report** (Pages 62 - 89)  
Report of the Head of Internal Audit
9. **Auditor's Annual Report 2023/24** (Pages 90 - 116)  
Report of KPMG  
Published 19/11/25
10. **ISA260 Audit Completion Report 2023/24** (Pages 117 - 157)  
Report of KPMG  
Published 19/11/25
11. **Amendments to Contract Procedure Rules** (Pages 158 - 196)  
Report of the Monitoring Officer  
Published 12/11/2025. Revised Appendix published 18/11/2025
12. **Statement of Accounts Update** (Pages 197 - 209)  
Report of the Chief Finance Officer  
Published 19/11/25

## **ADMINISTRATIVE ARRANGEMENTS**

### **(i) Membership**

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

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

Councillors Gerry Blaikie (Substitute), Dave Brookes (Substitute), Martin Gawith (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> November 2025.

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

## Updated Risk Management Policy

**19 November 2025**

### Report of Chief Officer Resources

<b>PURPOSE OF REPORT</b>
To request the Audit Committee approve the council's refreshed Risk Management Policy.
<b>This report is public.</b>

#### RECOMMENDATIONS

- (1) The Audit Committee approve the refreshed Risk Management Policy, November 2025, shown as appendix A.

#### 1.0 RISK MANAGEMENT POLICY

- 1.1 The Risk Management Policy has been re-drafted since the previous version was approved and published in March 2024 to include the following changes:
- Policy statement included
  - Risk management objectives section, replaced with key objectives of the policy section
  - Inclusion of section explaining what risk management is
  - Inclusion of section on the risk management framework
  - Inclusion of section on the identification of risk
  - Inclusion of section on the types of risk
  - Inclusion of section on the areas of risk management across the Council
  - Inclusion of section on how to describe a risk
  - Inclusion of section on how to report a risk
  - Revised risk scoring matrix, having moved from a 4x4 to a 5x5 impact vs likelihood matrix
  - Inclusion of a section on the types of risk registers we have in place and our 'three lines of defence' model.
  - Inclusion of a section providing guidance on the escalation and reporting of risk
  - Inclusion of a section on incidents
  - Updates to the roles and responsibilities section, aligning them with the constitution and committee terms of reference where needed
  - Removal of the culture and awareness sections, as these are now embedded elsewhere within the document.
  - Appendix 1 – definitions updated to bring us into line with the 5x5 risk scoring matrix, updating the criteria for impact and likelihood.
  - Appendix 3 – Risk appetite reviewed by cabinet on 21<sup>st</sup> October 2025.

## 2.0 DETAILS OF CONSULTATION

- 2.1 Leadership Team have been consulted on the changes.
- 2.2 The risk scoring for Impact vs Likelihood has changed from a 4x4 to a 5x5 matrix. This was approved by Leadership Team.
- 2.3 Risk appetite levels have been reviewed and agreed by Cabinet on 21<sup>st</sup> October 2025.

## 3.0 OPTIONS AND OPTIONS ANALYSIS

- 3.1 The options that Audit Committee Members might consider are:
- a) To approve the draft policy as submitted, or with any amendments suggested by the Committee
  - b) Not to approve the policy.
- 3.2 Options analysis, based on associated risks and opportunities are set out in the following table:

<b>Risk / Opportunity</b>	<b>Option A – Approve Policy</b>	<b>Option B – Do not approve</b>
Failure of the council to meet requirements in identifying and responding to risk management.	Adoption of the policy defines, in accordance with proper practice, the council's approach to risk management.	The policy from March 2024 remains in place showing the old risk scoring matrix, unclear risk escalation and former risk appetite levels, it therefore no longer fit for purpose.
Failure of services and individuals to meet expectations around risk management.	The policy and guidance provide the improved framework for ensuring that services and individuals are aware of their own responsibilities in regard to risk management.	The existing policy does not detail the new risk escalation process and risk revised risk scoring matrix, leading to confusion and incorrect escalation and scoring, it is therefore no longer fit for purpose.

- 3.3 The preferred option is option A at paragraph 3.2.

## 4.0 CONCLUSION

- 4.1 Recent changes to the council's way of managing risk are reflected in the new policy, further strengthening the council's approach to risk management.

## APPENDICES

Appendix A – Risk Management Policy – DRAFT V3 2025

**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 a copy of the council's refreshed Risk Management Policy.

**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**

[Risk Management Policy – March 2024](#)

[Cabinet Draft Minutes 21.10.2025](#)

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

**Telephone:** 01524 582505

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

**Ref:** N/A



*Promoting City, Coast & Countryside*

# **Risk Management Policy**

## **November 2025**

## Contents

1	Policy Statement .....	4
1.1	Key Objectives of the Policy .....	4
1.2	Scope of the Policy .....	5
2.	What Is Risk Management? .....	5
2.1	Risk Management Framework .....	6
2.2	Identification of Risk .....	6
2.3	Types of Risk .....	7
2.4	Risk Management Across the Council .....	7
2.5	Risk Management Categories .....	8
2.6	Describing Risks .....	8
2.7	Reporting Risks .....	9
2.8	Risk Scoring - Assessing, Analysing and Evaluating Risks .....	9
2.9	Treatment and Action Planning .....	11
2.10	Risk Appetite .....	12
3	Three Lines of Defence .....	12
4	Management, Escalation and Reporting Framework .....	14
4.1	Escalation of Risks .....	14
4.2	Recording Incidents .....	15
4.3	Grace Risk Management System .....	16
5	Roles and Responsibilities .....	16
6	Embedding Risk Management .....	19
	Appendix 1 – Measures of Likelihood and Impact .....	20
	Appendix 2 - Risk Response Categories .....	22
	Appendix 3 – Risk Appetite .....	23

**Version control**

	<b>Description</b>	<b>Date</b>
V0.1	Draft submitted to Executive Team for comments	13 November 2019
V0.2	Draft submitted to Audit Committee	27 November 2019
V1.0	Approved by Audit Committee	27 November 2019
V1.1	Draft submitted to Audit Committee	24 March 2021
V1.2	Revisions submitted to the Senior Leadership Team for comments	18 January 2023
V1.2	Draft submitted to Audit Committee	March 2023
V1.2	Approved by Audit Committee	22 March 2023
V1.3	Revisions to reflect new structure of Council, updated risk categories and risk appetite and clarity on roles and responsibilities.	15 December 2023
V1.4	Minor revisions made to roles and responsibilities	23 February 2024
V2.0	Approved and adopted by Audit Committee	20 March 2024
V2.1	Review by MIAA	April 2025
V3.0	Approved and adopted by Audit Committee	

Due for review every 2 years.



## 1 Policy Statement

Lancaster City Council is committed to having a risk management culture that underpins and supports its services and intends to demonstrate an ongoing commitment to improving the management of risk throughout the organisation.

The identification and recognition of risks, management of them via mitigation, elimination or acceptance (as appropriate), is essential for the efficient and effective delivery of safe and high-quality services. The priority is to reduce those risks that could impact on the safety of individuals, whilst reducing our financial, operational and reputational risks to acceptable levels.

All staff should have an awareness and understanding of the risks that relate to their role and are encouraged to identify and escalate new risks.

In developing, improving and embedding its risk management system, the Council will take account of the appropriate statutory requirements, national guidance and the requirements of its regulators.

### 1.1 Key Objectives of the Policy

This policy will ensure that:

- a. The management of risk contributes towards ensuring effective service delivery and the achievement of the Council's strategic objectives.
- b. All Councillors and staff acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed.
- c. Ownership and accountability are clearly assigned for the management of risks throughout the Council.
- d. There is a commitment to embedding risk management into the Council's culture and organisational processes, at all levels, including strategic, programme, project and operational.
- e. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
- f. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
- g. Accountability to stakeholders is demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.
- h. Where possible the Council's approach is regularly assessed by an external, independent body against other public sector organisations, national standards and Best Practice.
- i. The Risk Management Policy is reviewed and updated biennially in line with the Council's developing needs and requirements.

## 1.2 Scope of the Policy

This policy applies to all staff, Councillors, functions, working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation and the effective management of risk is contained within this policy.

## 2. What Is Risk Management?

Risk is unavoidable and is part of all our lives. Risk management is a systematic and cyclical process, in which potential risks are identified, assessed, managed, monitored and reviewed. It is applicable at all levels – Leadership Team, service, team and individual.

Risk management is a proactive approach which:

- Identifies the various activities of the organisation
- Identifies the hazards that exist within those activities and the risks associated with those hazards
- Assesses those risks for likelihood and potential severity (impact)
- Eliminates the risks that can be eliminated
- Reduces the effect of those risks that cannot be eliminated
- Acknowledges those risks that can be accepted
- Seeks to engage with colleagues to understand risks and explain tolerated risks
- Regularly monitors and reviews all risks.

This policy explains Lancaster City Council's approach to **all** risk management activities within the Council and describes the framework that will operate to establish and drive effective, integrated risk management across the totality of Council activities. The diagram below identifies the core categories of risk management activities referenced in this Policy.



## 2.1 Risk Management Framework

By managing the Council's risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

A Risk Framework is made up of several interconnected and dependent processes and is shown in the diagram below.



## 2.2 Identification of Risk

Everyone needs to be aware of the potential for risks to emerge which may affect the Council's services or business. All colleagues should be prepared to identify and report risks as appropriate. The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Discussion on risk in any context will be conducted in an open and honest manner.

- A **risk** is a future uncertain event or set of events that, should it occur, will have an effect on the achievement of the Council, a project management failure, or a failure of governance arrangements. Risks facing the Council will be identified from several sources:
  - i. Risks arising out of the delivery of work-related tasks or activities.
  - ii. The review of strategic or operational objectives.
  - iii. A result of incidents and the outcomes of investigations.
  - iv. Complaints, claims, staff and customer feedback, health and safety inspections, audit reports, external reviews or ad hoc assessments.
- An **issue** can be defined as an event that has already happened, was not planned and requires management action. Issues should be captured on an issue log and managed in a timely manner.

## 2.3 Types of Risk

Risks can be classed as internal or external facing and can be associated with an opportunity:

- **Internal Risks** – are those faced from within the organisation, that arise from routine day to day activities such as managing staff, safeguarding, health and safety, financial challenges or operating IT systems etc.
- **External Risks** – are those that from outside the Council but may still have an adverse impact on its activities, for example, a major cyber-attack or extreme weather conditions. External risks are hard to manage as we have less control over whether they occur.
- **Opportunity Risks** – are those risks associated with plans that aim to benefit the area the Council services, for example from an investment. These risks can be acceptable provided they are well thought out and properly managed.

## 2.4 Risk Management Across the Council

Risk management is applied at all levels of service delivery across the Council. Some areas require their own risk management policy, with the Risk Management Policy forming an umbrella policy over these.

- **Strategic Risk** - are comprised of internal and external risks, the careful management of these risks is critical to the success and continuation of the Council. Strategic risks may emerge following the inability to manage/mitigate/element risks initially reported in other risk categories, through escalation scoring. All strategic risks should be assigned to at least one Chief Officer. These risks are reviewed on a quarterly basis and reported to various Council committees.
- **Health & Safety Risk** - Health and Safety is a complex area of legislation one requirement of which is for the organisation to have a Health and Safety Policy and which should incorporate effective risk management and align. The Council's Health and Safety Risk Register is held within the My Compliance system with the overarching risks being repeated within the Grace system for escalation purposes. The risk assessment policy can be accessed via this link: [SG02 Risk Assessment Policy](#).
- **Information (including Information Governance, IT Security and Systems Management) Risk** - is an integral element of good data security and protection. It includes use of IT systems, management of paper records, cyber security and physical security of our facilities. The Council has a number of policies in place to manage risks in this area. Key risks in these areas are included within the Grace system as the central repository.
- **Business Continuity Risk** - are those which threaten the organisation's ability to deliver its key services. These generally fall into three categories:
  - i. access to premises
  - ii. access to resources (e.g. IT systems)
  - iii. and access to staff

They can originate from a number of different sources e.g. severe weather, fuel shortage, availability of trained professionals, and usually, but not always, originating outside of the Council. Key risks in these areas are included within the Grace system as the central repository.

## 2.5 Risk Management Categories

When logging risks in the Grace risk management system, the Council separates risk into the following categories. Risk owners are asked to choose one, or at the most two, risk categories for each risk and refer to the risk appetite guidance in [appendix 3](#).

- Strategy
- Governance
- Operations
- Legal
- Property
- Financial
- Commercial
- People
- Technology
- Data Information and Management
- Security
- Project and Programme

## 2.6 Describing Risks

Risks need to be described in clear terms that can easily be understood and must specify what is the tangible threat or opportunity. The description should help determine how the risk will be managed and treated.

Risk descriptors are often prefaced with:

- 'Lack of...'
- 'Loss of...'
- 'Failure to...'
- 'Inability to ....'
- 'Reduction of....'
- 'Disruption to...'
- 'Inappropriate...'

Risks should generally be described in a couple of sentences, explaining the risk, cause and effect.

*For Example:*

*“Failure to deliver major change project on time and in budget (risk) due to a lack of project management and appropriate resources and conflicting priorities (cause) which will result in detrimental impact to deliver the next stage of the programme and will increase temporary staffing costs (effect).”*

## 2.7 Reporting Risks

All risks should be recorded once identified. The Council uses the Grace Risk Management System for operational (service), strategic and project risks. Any H&S risks should be logged in the My Compliance system.

Training on the use of the Grace risk management system is available to all Chief Officers and risk owners. The Projects and Performance Team ([projects@lancaster.gov.uk](mailto:projects@lancaster.gov.uk)) can provide further guidance and assistance on this. Colleagues who don't have access to the Grace system should report a risk to their line manager. If they are unable to report and record a risk this way, there is an MS Form which can be accessed from the [risk management pages of the intranet](#) that can be used to report a risk. The Projects and Performance team will then progress the recording of this risk with the correct colleagues.

## 2.8 Risk Scoring - Assessing, Analysing and Evaluating Risks

### Scoring A Risk

The purpose of assessing and scoring a risk (which is undertaken as an integral task of reporting a risk) is to estimate the level of exposure to it the Council has, which will then help to inform where responses to reduce or otherwise manage a risk can be taken.

To analyse and evaluate risks, a thorough risk assessment should be undertaken. That is, a detailed analysis of the potential threats faced by the Council which may prevent achievement of its objectives. Through consideration of the sources of the risk, possible consequences, and the likelihood of those consequences occurring, it helps make decisions about the significance of risks and whether they should be accepted or treated.

The Council has adopted the 5 x 5 scoring matrix to ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed [criteria for likelihood and impact detailed in Appendix 1](#).

When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix. Where the likelihood and impact cross, determines the risk level:

A "traffic light" approach is used to show **high** (red), **moderate** (amber), **low** (yellow) and **very low** (green) risks.

For example, a Likelihood of 3 (possible) and a Major impact of 4 would result in a risk level of 12 (Moderate). This score is identified as the **inherent** risk score and would be recorded as such on the Grace risk management system.

Impact	Catastrophic 5	5 Low	10 Moderate	15 High	20 High	25 High
	Major 4	4 Low	8 Moderate	12 Moderate	16 High	20 High
	Moderate 3	3 Very Low	6 Low	9 Moderate	12 Moderate	15 High
	Minor 2	2 Very Low	4 Low	6 Low	8 Moderate	10 Moderate
	Insignificant 1	1 Very low	2 Very Low	3 Very Low	4 Low	5 Low
		Remote 1	Unlikely 2	Possible 3	Highly Likely 4	Almost Certain 5
		Likelihood				

### Risk Scoring – types

#### Initial or First Risk Score – Inherent (or Gross) Risk Score

Following identification of the risk, a score for the gross likelihood and gross impact will be given to the risk as it currently stands, to ascertain the inherent (gross) risk score. The inherent risk score is the score given before any controls or actions are taken to alter the risk's impact or likelihood.

#### Second Risk Score – Residual (or Risk Response) Score

Risks are then re-scored by the risk owner to ascertain the residual risk score. This is the score given when taking into consideration all controls and treatments in place and/or any existing actions that are not operating effectively. The residual risk score will be the same or lower than the inherent risk score but can never be higher.

Comparing the residual risk score to the guidance on risk appetite for the respective risk category should be the deciding factor as to whether further action is required (see the [guidance on risk appetite in Appendix 3](#)). For example, if the inherent risk score is 20, actions are put in place / or can be put in place which will result in the residual risk scoring 8, if this score is within the range of the Council's risk appetite guidance for the respective risk type then this residual risk score should be recorded as such on the risk register. [See appendix 2 for further information on risk response categories](#).

If the residual risk score is either red or amber, the risk owner should escalate this to their manager for information and further review.

### Third Risk Score – Target Risk (or Retained Risk) Score

If a residual risk score, after comparison to the Council's risk appetite guidance, requires further mitigating action to reduce the risk score to within the recommended risk appetite of the Council, the risk owner needs to develop an action plan to reduce the risk to within the Councils risk appetite matrix score. For some risks, a Council-wide risk response will be needed.

The amount of time and effort put into reducing a risk should always be aligned with the severity of the risk and should take into account what is practical and achievable. For example, if a risk receives the highest awardable score of 25 then far more time and effort would be put into mitigating it than if it received a far lower score of 6.

It is unusual, but not impossible to be able to reduce a risk down to the very lowest risk score of 1.

## 2.9 Treatment and Action Planning

Actions, which form part of an action plan to address a risk, will help to minimise or eliminate the likelihood and / or impact of a risk occurring, are identified where the gross (inherent) risk score needs to be reduced. This is either to determine the residual risk score or if the risk score needs further reduction in line with the Councils risk appetite.

Risk may be managed in one, or a combination of, the following ways:

Accept	A decision is taken to accept the risk.
Avoid	A decision is made not to take a risk.
Fallback	Put in place a fallback plan for the actions that will be taken to reduce the impact of the threat should the risk occur.
Reduce	Further additional actions are implemented to reduce the risk.
Transfer	All or part of the risk is transferred through insurance or to a third party.
Share	Share the risk with others on pain/gain basis.
Enhance	Proactive actions taken to enhance the likelihood of the event occurring or enhance the impact of the event should it occur.
Exploit	Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.
Reject	A deliberate decision is taken not to exploit or enhance the opportunity.

These are described in more detail in [Appendix 2](#). The managed approach to risk should always be documented in the risk register, for example, after assessment of the risk, a decision may be made to transfer the risk, therefore no further mitigating controls are required.



## 2.10 Risk Appetite

The Council's risk appetite refers to the amount and type of risk that it is prepared to pursue, retain or take in pursuit of our objectives before action is deemed necessary to reduce the risk.

Risk appetite is not a single fixed concept; there are a range of appetites for different risks which the Council need to be aligned and regularly reviewed as this will change/vary over time. The Council recognises that it may be necessary to deviate from the adopted risk appetite for individual decisions when there is a good reason to do so.

Our risk appetite varies depending on the risk category assigned. Generally, the Council's appetite for risk can be described as "Cautious". However, there are some exceptions to this. For Operation, Property, Commercial, Technology and Project/ Programme risks our risk appetite is "Open" which means we are willing to accept a slightly higher level of risk to maximise potential benefits.

The order our risk categories appear in, from most risk averse to least risk averse is:

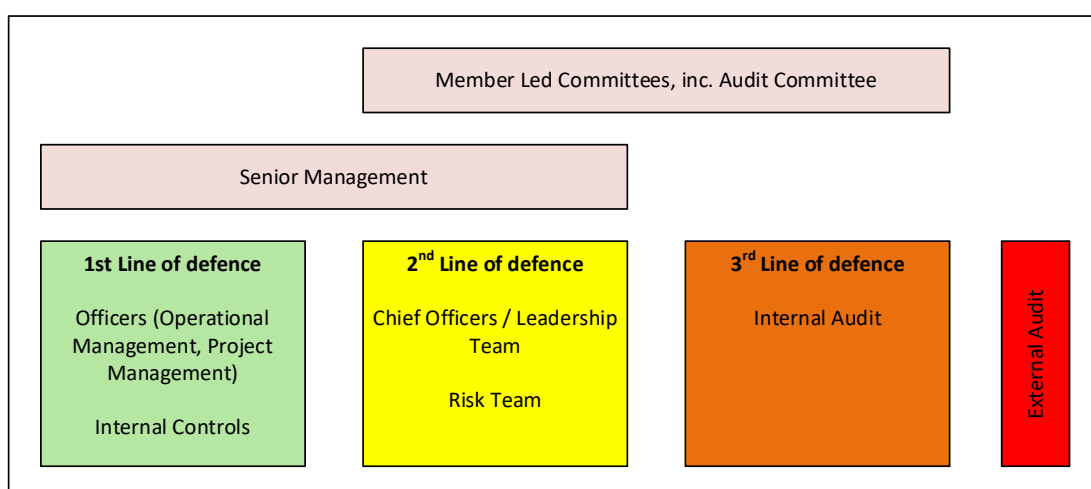
1. Averse
2. Minimal
3. Cautious
4. Open
5. Eager

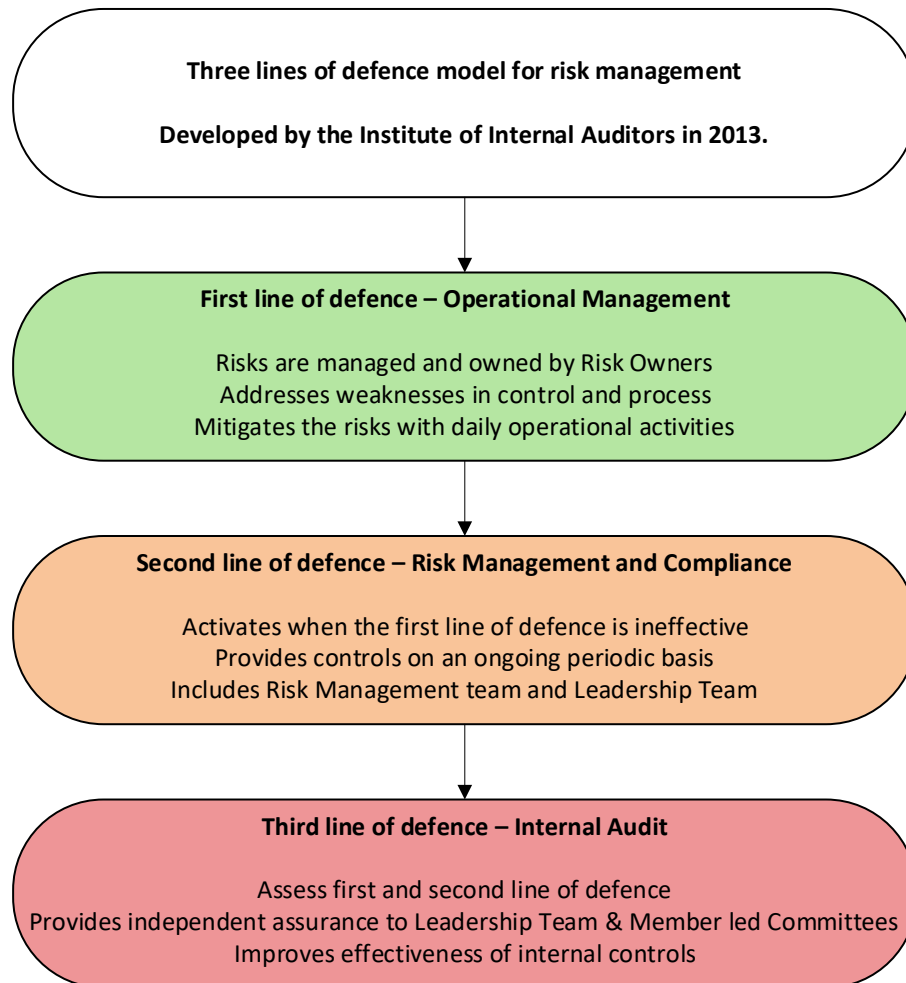
A table showing the Council's risk appetite can be found as [Appendix 3](#).

## 3 Three Lines of Defence

The Risk Management Policy is predicated on the need to ensure the Council is aware of any significant risk to its ability to deliver its strategic objectives. To do this a process needs to be in place which allows the recording, management and mitigation actions to take place by the right people, in the right place at the right time.

To achieve this, we use the '3 Line Defence Model', shown in the visuals below.





Colleagues within the Projects and Performance Team (People and Policy Service) oversee administration of strategic, operational and project risk registers within the Grace risk management system. Identified risk owners are ultimately responsible for monitoring and updating their risk scores and actions plans.

The Grace system will automatically send risk owners a weekly email reminder of any overdue risk reviews and overdue actions. The Projects and Performance team will monitor overdue risks and action on a periodic basis to ensure that risk owners are updating records as and when required.

Managers are encouraged to amend risk scores or descriptions with the intention of maintaining a culture of openness. The Projects and Performance Team will spot check a selection of amendments to ensure that actions taken such as increased or improved control, or another viable explanation such as the activity ceases altogether, has been recorded within the system to support the change.

## 4 Management, Escalation and Reporting Framework

Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

Regular reporting enables Leadership Team and Councillors to have greater awareness of the extent of the risks and progression being made to manage them.

Risk reporting and scoring needs to be simple and transparent and ensure all reported risks are visible and reviewed by the respective oversight.

This will mean that all risks should have clearly identified:

- a. Risk Owner
- b. Risk Actionee (where further actions are needed)
- c. Chief Officer
- d. Responsible Governance body – meeting/function and / or specialist (H&S, ICT, Project Board etc)
- e. Escalation Route

All risks that fall within the categories of Health & Safety, ICT and Business Continuity should be subject to scrutiny and sign-off (scoring and mitigating actions) and cross-referenced as appropriate on the Grace risk management system.

### 4.1 Escalation of Risks

All risks originate in the respective operational risk register. The gross (inherent) risk score identified should determine the Responsible Governance Body and the likely escalation route should that be needed.

The decision to escalate or de-escalate a risk score needs to be made within the thresholds identified in this Policy.

The thresholds are defined below:

Risk Rating	Management/Oversight
<b>Very Low</b> <b>between 1 and 3</b>	Managed at service level by the risk owner. Updates via Grace. Assurance will be provided on the management of this risk with regular reviews run at least every 12 months.
<b>Low</b> <b>between 4 and 6</b>	Managed at a service level by the risk owner with an appropriate manager designated as risk owner who will monitor the delivery of any actions. Reviewed at least every 6 months.
<b>Moderate</b> <b>between 8 and 12</b>	The risk owner will make their manager aware of a moderate risk as soon as it is logged. Reports run from the Grace system every month and sent to the Leadership Team for discussion and further action. Amber risks will be reviewed by the risk owner and other interested parties at least every 3 months.
<b>High</b> <b>between 15 and 25</b> <b>(strategically significant risks)</b>	New risks at this level should be reported immediately to the Chief Officer and then raised at the next available Leadership Team meeting. These risks will also be captured in the monthly reporting sent to the Leadership Team for discussion and further action. High risks will be owned by a Chief Officer, regardless of who initially raised the risk. The risks should be reviewed monthly.

Risks should be escalated up the hierarchy of risk registers, from operational (departmental) to strategic etc. when any of the following criteria apply:

- The current risk score remains very high with a score of 15 or higher, even after control measures and mitigating actions have been fully implemented.
- The current risk score exceeds the appetite boundaries set for the risk, even after control measures and mitigating actions have been fully implemented.
- The risk becomes unmanageable by responsible officers at the current level.
- The risk would impact beyond the current service/directorate/project as appropriate for the current tier of risk register.

Risks should be de-escalated to a lower tier of risk register when the criteria listed above no longer apply.

Escalation to the Strategic Risk Register, should be reviewed and agreed by the respective Chief Officer.

## 4.2 Recording Incidents

When a risk occurs, it is often known as an issue or incident. It could be beneficial to record an incident when it occurs, so records exist of how often it occurs and the severity of the consequence. Near misses can be recorded in the same way. There is provision within the Grace risk management system to record incidents, using the drop-down fields to note if it was a near miss or an incident and how severe the consequence of this occurring was.

Depending on the risk and what occurred, you may wish to escalate this or involve another professional, such as the Health and Safety team. You may also wish to re-evaluate your risk scoring after an incident occurs, remembering to run a risk review at the end.

Recording an occurrence or near miss allows the Council to review the information collected and learn from these events.

### 4.3 Grace Risk Management System

The Grace risk management system will encourage risk owners to monitor and update identified risks on a regular basis. In line with our policy, the Grace risk system will issue risk review reminders as follows:

- Red risks – every month
- Amber – every 3 months
- Yellow risks – every 6 months
- Green risks – every 12 months

Risk owners are encouraged to review and update their risks more frequently than this if events occur which means an earlier review is beneficial.

Updates from the strategic risk register will be reported to the Audit Committee at each of their meetings. Strategic risks will also be seen by Cabinet and Budget and Performance Panel for noting.

## 5 Roles and Responsibilities

To ensure risk management is effectively implemented, all staff and Councillors should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities:

### All Colleagues

- Report risk management concerns to their line managers, or in cases where this is not possible, use the online risk reporting form.
- Manage day-to-day risks and opportunities effectively.
- Participate fully in risk workshops and action planning as appropriate.
- Attend training and awareness sessions as requested.

### Risk Owners (including project managers)

- Manage day-to-day risks and opportunities effectively and report risk management concerns to their line managers, including escalating any risks with a residual score of amber or red (scoring 8 or above), or risks which are above the Council's risk appetite.
- Promptly escalate high (red) risks to the appropriate Chief Officer.
- Take ownership of the risks they are responsible for by confirming control measures and/or implementing new actions.
- Provide assurance about the management of those risks.
- Update the Grace system as new risks occur, when changes happen to existing risks and when prompted to run a risk review.

Note: The above also applies to colleagues within the shared service (Preston City Council). The Preston risk scoring matrix (3x3) and has been mapped to the Lancaster City Council risk scoring matrix so the risks can be managed and reported on effectively.

### **Risk Actionees (colleague who have been assigned a risk action)**

- Carry out the actions to manage the risk within the agreed timeframe, update the Grace system as needed, including once the action is complete.

### **Owners of secondary risk registers, such as H&S and Business Continuity**

- Review the risk registers they own, updating the central risk register (Grace risk management system) as needed.
- Assist other colleagues in their knowledge and understanding of risk and risk management processes.

### **Leadership Team / Chief Officers**

- Champion an effective Council-wide risk management culture.
- Manage risk in their services by ensuring colleagues are updating their risk registers as required.
- Encourage staff to be open and honest in identifying risks and opportunities.
- In conjunction with the appropriate risk owner, maintain the relevant risk registers ensuring all key risks are identified, managed and reviewed in line with the corporate risk management approach.
- Constructively review and challenge the risks involved in decision making.
- Ensure Councillors receive relevant risk information including discussing significant service risks with the relevant Portfolio Holders.
- Responsible for owning and managing strategic risks, which will be reviewed quarterly or more often when needed.
- Promptly escalate risks, including adding additional strategic risks where a service risk requires escalation.
- Ensure risk management process is an explicit part of all projects.
- Ensure that appropriate resources and importance are allocated to the risk management process.
- Provide assurance that the risks for which they are the risk owner are being effectively managed. This will be completed as part of the Annual Governance review process.
- Ensure that the Council's risk management policy is implemented and followed.

### **All Councillors**

- Support and promote an effective risk management culture.
- Constructively review and scrutinise the risks involved in delivering the Council's core purpose, priorities and outcomes.

### **Cabinet / Portfolio Holder**

- Take a strategic view of risks in the organisation, specifically to:
  - Determine and continuously assess the Council's risk appetite.
  - Review how management is responding to the strategic risks.
  - Consider and challenge the risks involved when making any key decisions.
  - Review operational and projects risks supplied to them in their capacity as portfolio holder.

## **Audit Committee**

- Monitor the effective development and operation of risk management in the Council and monitor progress in addressing risk-related issues reported to the committee.
- Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- Approve the Council's risk management policy statement and strategy, reviewing their effectiveness, to help ensure that risk is appropriately managed.
- Review and challenge the content of the strategic risk register.

## **Budget and Performance Panel**

- Consider risk management issues in reviewing and scrutinising performance (as stated in the panel's terms of Reference).

## **Partners**

- Where appropriate, participate in the development of a joint partnership risk register.
- Ensure ownership of each risk is clear.
- Actively manage risk within the partnership, setting a timetable for reviewing risks when the partnership is formed.
- Report on risk management issues to partnership boards or equivalent. It may be necessary to adopt a dual scoring approach, to identify and score risks from more than one perspective.
- Where possible, map your chosen method for managing risks back to the Council's method
- Seek advice from the Lancaster City Council Projects and Performance Team ([projects@lancaster.gov.uk](mailto:projects@lancaster.gov.uk)) if unclear on risk management and reporting risks.

## **Projects and Performance Team**

- Design and facilitate the implementation of a risk management framework ensuring it meets the needs of the organisation.
- Act as a centre of expertise, providing support, training and guidance as required.
- Act as systems administrators for the Grace risk management system and check that risk owners are updating their assigned risks in accordance with the schedule. Escalating to senior management as required.
- Collate risk information and prepare reports as necessary for Leadership Team and Councillor led committees.

## **Internal Audit**

- Ensure the Internal Audit work plan is focused on the key risks facing the Council.
- During all relevant audits, challenge the content of risk registers to provide assurance that risks are being effectively managed.
- Periodically arrange for the independent review of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.

## 6 Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. As such, risks and the monitoring of associated actions should be considered as part of the Council's significant business processes, including:

- **Corporate Decision Making** – significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- **Business / budget planning** – this annual process includes updating the relevant risk registers to reflect current aims / outcomes.
- **Project Management** – all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could influence service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
- **Partnership Working** – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the partnership's aims and objectives.
- **Procurement** – all risks and actions associated with a purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Contract Management** – significant risks associated with all stages of contract management are identified and kept under review
- **Insurance** – the Council's Insurance Officer manages insurable risks and self-insurance arrangements.
- **Health and Safety** – the Council has specific policies and procedures to be followed in relation to health and safety risks. For more information on H&S, please contact: [healthandsafety@lancaster.gov.uk](mailto:healthandsafety@lancaster.gov.uk).



## Appendix 1 – Measures of Likelihood and Impact

**Likelihood: Can be measured using Frequency of Probability**

Score	Description	Frequency or Probability
5	Almost Certain	Almost certain occurrence /The event is expected to occur in most circumstances / There is a history of very frequent occurrence at the Council or similar organisations  <b>OR</b> > 80% probability
4	Highly Likely	There is a strong possibility that the event will occur / There is a history of frequent occurrence at the Council or similar organisations  <b>OR</b> 50-80% probability
3	Possible	The event might occur / There is a history of occurrence at the Council or similar organisations  <b>OR</b> 20-50% probability
2	Unlikely	Not expected / but there is a moderate possibility it may occur  <b>OR</b> 5-20% probability
1	Remote	Highly unlikely, but it may occur in exceptional circumstances / It could happen but it is very unlikely  <b>OR</b> <5% probability

## Impact Measures:

Example	Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
<b>People / Duty of Care</b>	Minor injury	Temporary disability or illness	Permanent disability or major injury	Fatality, multiple serious injuries	Multiple fatalities
<b>Financial Impact</b>	The lesser of <5% or < £10,000 over budget.	The lesser of 5-10% or £10,000 to £50,000 over budget.	The lesser of 11-15% or £50,000 to £250,000 over budget.	The lesser of 16-25% or £250,000 to £1,000,000 over budget.	The lesser of >25% or > £1,000,000 over budget.
<b>Legal and Compliance Impact</b>	No legal proceedings brought against the Council	Minor civil litigation	Low Civil litigation numbers and/or local public enquiry	Significant civil litigation and/or national public enquiry	High significant legal action certain Section 151 or government intervention or criminal charges
<b>Service Impact</b>	No impact on service delivery as temporary capacity / work around in place	Short term service disruption	Noticeable service disruption affecting customers	Significant service failure but not directly affecting vulnerable groups	Serious service failure affecting all customer, including vulnerable groups
<b>Project Delivery</b>	Minor delay to project. Very limited impact on cost or savings. Scope / deliverables of project unaffected.	Minor delay to project, limited impact on cost or savings. Scope / deliverables of project broadly unaffected.	Significant delay to project, significant impact on cost or savings. Scope / deliverables of project affected.	Major delay to project, major impact to cost or savings. Many of the deliverables of the project are not possible.	Project spends allocated funding but fails to deliver any objectives or benefits.
<b>Intervention Required</b>	Limited intervention by Service Manager or Project Manager required	Major intervention by Service Manager or Project Manager	Intervention by Chief Officer	Intervention by the Leadership Team, Chief Exec or Project Board	Intervention by Council, Project Board or external authority / governing body.
<b>Reputation Impact</b>	Little or no media attention	Minor negative local media attention	Significant negative local media attention	Sustained negative local media attention and/or significant regional media attention	Sustained negative national media attention

## Appendix 2 - Risk Response Categories

Category	Opportunity or Threat	Description
<b>Accept</b>	Threat	A decision is taken to accept the risk. Management and/or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more.
<b>Avoid</b>	Threat	A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.
<b>Fallback</b>	Threat	Put in place a fallback plan for the actions that will be taken to reduce the impact of the threat should the risk occur. This is a reactive form of the 'reduce' response which has no impact on likelihood.
<b>Reduce</b>	Threat	Implement further additional action(s) to reduce the risk by: <ul style="list-style-type: none"> <li>• minimising the likelihood of an event occurring (e.g. preventative action) and/or</li> <li>• reducing the potential impact should the risk occur (e.g. business continuity plans)</li> </ul> Further actions are recorded in the risk register and regularly monitored.
<b>Transfer</b>	Threat	Transfer all or part of the risk through insurance or to a third party e.g. contractor or partner, who is better able to manage the risk. Although responsibility can be transferred, in most cases accountability remains with the Council, so this still needs to be monitored.
<b>Share</b>	Threat or Opportunity	Share is different from the transfer response. It seeks multiple parties, typically within the supply chain, to share the risk on pain/gain share basis.
<b>Enhance</b>	Opportunity	Proactive actions taken to: <ul style="list-style-type: none"> <li>• Enhance the probability of the event occurring.</li> <li>• Enhance the impact of the event should it occur.</li> </ul>
<b>Exploit</b>	Opportunity	Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.
<b>Reject</b>	Opportunity	A conscious and deliberate decision is taken not to exploit or enhance the opportunity, having discerned that it is more economical not to attempt an opportunity response action. The opportunity should continue to be monitored.

## Appendix 3 – Risk Appetite

The boxes shaded in yellow, indicate the Council's current risk appetite for each category. The score is the impact x likelihood score as generated at the residual risk stage of the risk management process.

Risk Category	Risk Appetite				
	Averse Score 1-3	Minimal Score 4-6	Cautious Score 8-9	Open Score 10-12	Eager Score 15-25
<b>Strategy (Cautious, Score 8-9)</b> Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
<b>Governance (Cautious, Score 8-9)</b> Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider low risk actions which support delivery of priorities and objectives. Processes, and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
<b>Operations (Open, Score 10-12)</b> Risks arising from inadequate, poorly designed or ineffective/ inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
<b>Legal (Cautious, Score 8-9)</b> Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
<b>Property (Open, Score 10-12)</b> Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.
<b>Financial (Cautious, Score 8-9)</b> Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).

investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.					
<b>Commercial (Open, Score 10-12)</b> Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives.	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
<b>People (Cautious, Score 8-9)</b> Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Decision making authority held by senior management. Development investment generally in standard practices.	Seek safe and standard people policy. Decision making authority generally held by senior management.	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.
<b>Technology (Open, Score 10-12)</b> Risks arising from technology not delivering the expected services due to inadequate or deficient system/ process development and performance or inadequate resilience.	General avoidance of systems / technology developments.	Only essential systems / technology developments to protect current operations.	Consideration given to adoption of established / mature systems and technology improvements. Agile principles are considered.	Systems / technology developments considered to enable improved delivery. Agile principles may be followed.	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.
<b>Data Info and Management (Cautious, Score 8-9)</b> Risks arising from a failure to produce robust, suitable and appropriate data/ information and to exploit data/information to its full potential.	Lock down data & information. Access tightly controlled, high levels of monitoring.	Minimise level of risk due to potential damage from disclosure.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information openly shared.



<b>Security (Cautious, Score 8-9)</b> Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements.	No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including: <ul style="list-style-type: none"> <li>• Adherence to FCDO travel restrictions</li> <li>• Staff vetting maintained at highest appropriate level</li> <li>• Controls limiting staff and visitor access to information, assets and estate</li> <li>• Access to staff personal devices restricted in official sites</li> </ul> <p>* FCDO = Foreign, Commonwealth and Development Office</p>	Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including: <ul style="list-style-type: none"> <li>• Adherence to FCDO travel restrictions</li> <li>• All staff vetted levels defined by role requirements.</li> <li>• Controls limiting staff and visitor access to information, assets and estate</li> <li>• Staff personal devices permitted, but may not be used for official tasks</li> </ul>	Limited security risks accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> <li>• Adherence to FCDO travel restrictions</li> <li>• Vetting levels may flex within teams, as required</li> <li>• Controls managing staff and limiting visitor access to information, assets and estate</li> <li>• Staff personal devices may be used for limited official tasks with appropriate permissions.</li> </ul>	Considered security risk accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> <li>• New starters may commence employment at risk, following partial completion of vetting processes</li> <li>• Permission may be sought for travel within FCDO restricted areas.</li> <li>• Controls limiting visitor access to information, assets and estate.</li> <li>• Staff personal devices may be used for official tasks with appropriate permissions.</li> </ul>	Organisational willing to accept security risk to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> <li>• New starters may commence employment at risk, following partial completion of vetting processes</li> <li>• Travel permitted within FCDO restricted areas.</li> <li>• Controls limiting visitor access to information, assets and estate.</li> <li>• Staff personal devices permitted for official tasks.</li> </ul>
<b>Project / Programme (Open, Score 10-12)</b> Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.

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

## Strategic Risk Management

**19 November 2025**

### Report of Chief Executive

<b>PURPOSE OF REPORT</b>
To provide the Committee with an update on the authority's progress in updating the Strategic Risk Register.
<b>This report is public, with appendix B being exempt by virtue of paragraph 3 of Schedule 12A the Local Government Act 1972.</b>

#### RECOMMENDATIONS

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

#### **1 Report**

- 1.0 Quarterly Strategic Risk Report as updated by Leadership Team to be seen by Audit Committee to be noted.

- 1.1 There are currently 25 Strategic Risks open on the register.

- 1.2 The recent changes from a 4x4 to a 5x5 matrix have resulted in there being no red (high) risks, with 7 amber risks across the restricted and unrestricted risk registers.

- 1.3 The attached appendices show the changes to the council's Strategic Risk Register made during the reporting period 17<sup>th</sup> July to 5<sup>th</sup> November 2025. Changes are highlighted using red text. A summary of the main changes is as follows:

- Risk reviews have been run against 9 Strategic Risks.
- Action plan due dates have been updated for risks SR04, SR05, SR07, SR08, SR15 and SR20.
- Action plan descriptions have been updated or added for risks SR04, SR07, SR08 and SR15.
- Control measure details have been updated or added for risks SR03, SR04, SR15, SR21 and SR28.
- The residual and target risks scores for SR29 have been increased. Further risk categories have also been added for this risk. It is the only strategic risk that sits above our 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

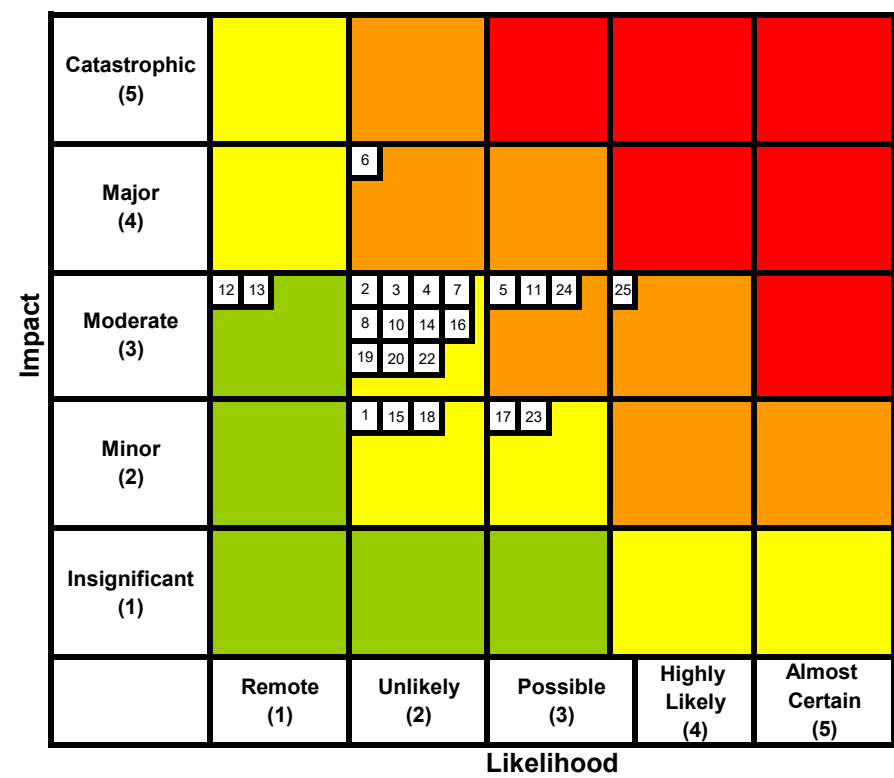
**Telephone:** 01524 582505

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

**Ref:** N/A



Strategic Risk Register - Risk Map 06.11.25



NOTE 1: All risks have been reviewed in the run up to 6th November 2025

NOTE 2: The numbers shown on the risk map relate to those on the next page in the first column, not the Strategic Risk (SR) numbers.

NOTE 3: Only risks which are unrestricted are shown.

## Strategic Risk Register, Report Created 06.11.25

Red text used to highlight changes since the previous report

Risk No.	Risk & Owner	Risk Description	Residual Risk Score (Impact x Likelihood)	Risk Category	Existing Control Measure	Existing Control Measure Description	Target (Retained) Risk Level	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.  Mark Davies 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.  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 Claire Dubelbeis Alex Kinch	31/12/2025	15/07/2025	Risks re-scored following update to matrix on Marks behalf.
					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.							
					Fit for the Future Strategy	The Strategy contains a number of principles to achieve Financial Stability.							
2	SR02 The Council fails to meet the 2026/27 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.  Mark Davies Paul Thompson	The Council fails to meet the 2026/27 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.  Link to Council Plan 24-27: 4.1 Value for Money	6 (3x2)	Financial	Reserves Policy	Reserves Policy	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.  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 Claire Dubelbeis Alex Kinch	31/12/2025	02/09/2025	Minor change made to the risk name and description, so that it refers to the planning of the next financial year.
					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							

				<table><tr><td>Portfolio Holder</td><td>Portfolio Holder</td></tr><tr><td>Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years.</td><td>Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years</td></tr><tr><td>Project Delivery Board</td><td>Project Delivery Board - Consisting of Leadership Team to monitor delivery via quarterly reports and provide support and challenge to each project as required.</td></tr><tr><td>Projects and Performance Manager</td><td>Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.</td></tr><tr><td>Delivering Our Priorities Quarterly Monitoring Reports</td><td>Delivering Our Priorities Quarterly Monitoring Reports - Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget &amp; Performance Panel.</td></tr><tr><td>Quarterly Cabinet Meetings</td><td>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.</td></tr><tr><td>Outcomes Based Resourcing / Fit for the Future</td><td>Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.</td></tr></table>		Portfolio Holder	Portfolio Holder	Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years.	Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years	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.	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.	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.	
Portfolio Holder	Portfolio Holder																			
Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years.	Outcomes Based Resourcing for 23/24, 24/25 and 25/26 financial years																			
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.																			
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.																			
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  Alex Kinch	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.  Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	People	<table><tr><td>New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk</td><td>New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk. 25-26 is year 3 of the People Plan.</td></tr><tr><td>Annual Appraisal Process</td><td>Annual Appraisal Process embedded</td></tr></table>	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. 25-26 is year 3 of the People Plan.	Annual Appraisal Process	Annual Appraisal Process embedded	6 (3x2)	02/09/2025	Minor change made to the description of the Pay and Grading Structure control measure to clarify the timeframe.								
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. 25-26 is year 3 of the People Plan.																			
Annual Appraisal Process	Annual Appraisal Process embedded																			

					Pay and Grading Structure	Pay and Grading Structure - The pay and grading structure and 2019 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.  Joanne Wilkinson	Future capital investment is dependent on capital receipts from the sale and utilisation of council assets.  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	31/03/2026	02/07/2025	Limited change. Ongoing review of assets being undertaken and presented to OBR assets. Information presented to B+P in Q1. New CPM system being implemented and this will further assist with better property management functionality.
					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 Joanne Wilkinson Dan Wood	31/03/2026		
					Use of Council Assets	Budget Monitoring							
					Use of Council assets	Implemented active asset management inc. financial modelling for stock rationalisation.							
					Use of Council assets	Appointed Eckersleys to support the council in asset disposal.							
					Use of Council Assets	Stock Condition Surveys for property group completed		Council Assets	Upgrade Asset Management system to CPM this should assist with better property management - fully interfaced system	Paul Mackie Joanne Wilkinson Dan Wood	31/03/2026		
					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.		Council Assets	Consideration of commercialisation Plan - aligned with with Estates Imp Plan	Paul Mackie	31/03/2026		
					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 recruited to support reductions in utility costs awaiting start date.							
					Use of Council Assets	Project Officer recruited to - to support delivery of increased capital / revenue projects for next three years.							

					Council Assets	Climate Statement finalised and published with clear actions around improvements.								
					Use of Council Assets	Utilising external support through HPA								
					Use of Council Assets	Repairs Service Improvement plan for property portfolio								
5	SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies  Kirstie Banks-Lyon Alex Kinch	Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies.	9 (3x3)	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	31/08/2026	29/10/2025	Reviewed in line with 5x5 matrix. Risk remains and appropriate control measures in place	
					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 Jonathan Noad	01/07/2026			
					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	SR06 The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030.  Mark Cassidy	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.  Link to Council Plan 24-27: 1.1 Carbon Zero	8 (4x2)	Strategy Project / Programme	Delivery plan in place	Climate Change Action Plan - the Climate and Nature Strategy will supersede this	8 (4x2)	(i) Climate and Nature Strategy (ii) Annual Climate Report (to be presented to Cabinet)	The Council continues to work on the delivery of its CaNS and the date for delivery is likely to be early-June.	Mark Davies	31/12/2025	29/09/2025	No change to previous update - i.e. - The remaining actions were split; The first relates to the Climate and Nature Strategy(CaNS) which has been delayed due to other climate work associated with time-limited projects. The CaNS will still be delivered this year, and the Portfolio Holder has been updated (June 26 2025).  The second part of the risk is new, and relates to the 1st Annual Climate Report, which will be prepared for Cabinet at the end of each calendar year, starting in December 2025. This will set out the progress on an annual basis for reducing CO2 emissions and the ambition to reach net zero by 2030.
					Peoples Jury	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							
					Development of the Local Area Energy Plan and the emergence of the Climate and Nature Strategy	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.  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		(ii) Local Area Energy Plan	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, but are likely to require UKSPF assistance given resource constraints (staffing) during the remainder of the calendar year (delivery of other decarbonisation projects)	Mark Cassidy	31/12/2025		

7	<p>SR07 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes.</p> <p>Mark Davies Luke Gorst Paul Thompson</p>	<p>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.</p> <p>Link to Council Plan 24-27: Whole document.</p>	6 (3x2)	Strategy	Carbon Zero +	<p>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></p> <hr/> <p>Medium Term Financial Strategy (MTFS)</p> <p>MTFS - in place to set out how the council proposes to manage its financial resources in line with corporate priorities.</p> <hr/> <p>Programme Management</p> <p>Programme Management - in place to ensure strategy is followed and monitored on a regular basis.</p> <hr/> <p>Corporate Plan / Plan 2030</p> <p>Corporate Plan / Plan 2030 - Updated in December 2021 to lay out the councils vision.</p> <hr/> <p>Fit for the Future</p> <p>Fit for the Future is a strategic programme that assists in the balance of Council plan and MTFS</p>	4 (2x2)	Local Development Plan	Local Development Plan	Mark Davies	30/09/2024	15/07/2025	Risks re-scored following update to matrix on Mark Davies behalf.	
								Priority Policies 24-27	Council Plan	Mark Davies	31/03/2027			
8	<p>SR08 The Council fails to deliver its key projects due to the lack of capacity and resources.</p> <p>Mark Davies</p>	<p>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</p>	6 (3x2)	People Financial	Local Plan	Local Plan	3 (3x1)	Local Plan	Local Plan, due to be adopted in June 28	Mark Cassidy Mark Davies	30/06/2028	02/09/2025	Action date amended.	
					Medium Term Financial Strategy (MTFS)	Medium Term Financial Strategy (MTFS)								
					Investment Strategy	Investment Strategy			Reserves	Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic	Mark Davies Paul Thompson	30/01/2026		
					Capital Programme	Capital Programme								

	<p>property promised and resourced.</p> <p>Link to Council Plan 24-27: 4.5 Innovative Public Services</p>		<p>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment</p>	<p>The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.</p>		<p>planning strategies.</p>			
						<p>People Plan</p> <p>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.</p>	<p>Alex Kinch</p> <p>31/03/2026</p>		
			<p>Collaborative Working</p>	<p>We work in collaboration with other stakeholders. For example, on the Eden Project we are working closely with the County Council.</p>					
			<p>Partnership Working</p>	<p>Many of our projects involve working in collaboration with other partners. For example, working with the County Council for the Eden Project Morecambe.</p>					
			<p>Capital Programme</p>	<p>Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.</p>					
			<p>Funding the Future Strategy</p>	<p>Funding the Future Strategy</p>					
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>	<p>6 (3x2)</p>	<p>Strategy Governance Operations People Project / Programme Financial</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>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>6 (3x2)</p>	<p>15/07/2025</p>	<p>Risk re-scored following update to matrix on Mark Davies behalf.</p>



					Strategic Plans	Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy							
11	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.  Mark Davies	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.  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.	9 (3x3)	Strategy Operations Security Financial	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues  Strategic responsiveness through continued risk management review  Agility and Resilience  Strategic risk management approach	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues  Strategic responsiveness through continued risk management review  Agility and Resilience - Continue to develop agility and resilience across the organisation  Strategic risk management approach	9 (3x3)			05/11/2025	Risk reviewed - no change		
12	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.  Mark Davies	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.  Link to Council Plan 24-27: 4.5 Innovative Public Service	3 (3x1)	Strategy Financial	Budget Development  OBR / Fit for the Future	Comprehensive, robust and transparent approach to budget development and service delivery.  Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.	3 (3x1)			15/07/2025	Risk re-scored following matrix update on Mark Davies behalf.		
13	SR13 The Council's reputation is damaged through its own actions or actions of others in the District  Mark Davies	SR13 The Council's reputation is damaged through its own actions or actions of others in the District.  Link to Council Plan 24-27: 3.4 Community Engagement	3 (3x1)	Strategy People	Communications  Strategic Management of Activities  Delivery of Services  Strategic communication	Pro-active communications and transparency  Strategic management of all Council activities to ensure continued high reputation  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.  Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation	3 (3x1)			15/07/2025	MD reviewed - as is		
14	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	6 (3x2)	Operations Financial	Budget and Performance Panel	Budget and Performance Panel  Move to sustainable solutions	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 Paul Thompson	31/03/2026	15/07/2025	Risk re-scored following update to matrix on behalf of Mark Davies

	Mark Davies Paul Thompson	Link to Council Plan 24-27: 4.1 Value for money		Reserves Policy		Reserves Policy		Council has approved the construction of a Solar Farm at Burrow Beck and also the development of a new Data Centre at Salt Ayre. Both will have a positive impact on the Council's sustainability ambitions but also income generation and cost reduction					
				Continue financial forecasting	Continue financial forecasting and scenario planning e.g. for energy costs								
							Level of Reserves	As part of the annual budget cycle the s151 Officer is required to make a statement of the adequacy of the Council's reserves, provision and balances and set a minimum level of reserves. This ensures that it is able to mitigate variations in the short to medium term.	Paul Thompson	31/03/2026			
15	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.  Joanne Wilkinson	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.  Link to Council Plan 24-27: 4.5 Innovative Public Services; 4.1 Value for money	4 (2x2)	Strategy	Asset Management Plan  Continuous review of assets and infrastructure  Councils infrastructure	Asset Management Plan  Continuous review of assets and infrastructure  OBR Assets group in place.	2 (1x2)	Asset Manageme nt Plan	Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.	Joanne Wilkinson Mark-Davies	31/03/2026	15/07/2025	Risk re-scored following update to matrix on behalf of Mark Davies. Owner transferred to Jo Wilkinson
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.  Mark Davies Alex Kinch	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.  Link to Council Plan 24-27: 4.5 Innovative Public Services	6 (3x2)	Strategy	Corporate Plan Policy Framework Continuous review of strategy and policy LGA Workshop with Members CPC review and action plan.	Corporate Plan Policy Framework Continuous review of strategy and policy, and alignment with service delivery. These took place in September 2023. CPC review and action plan. Action Plans have now been added into Service Plans.	2 (1x2)					16/06/2025	Risk reviewed with Alex following re-scoring of risk and impact matrix.
17	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	6 (2x3)	Legal	Corporate Governance	Corporate Governance	6 (2x3)					21/10/2025	as is

	Mark Davies Luke Gorst	Link to Council Plan 24-27: 4.6 Openness			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.								
						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.  Jonathan Noad	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.  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	17/07/2025	Risk re-scored to reflect updated scoring so that the numbers add up. Owner transferred to Jonathan Noad	
19	SR20 Non compliance with Building Safety Executive for LCC owned high-rise buildings.  Dennis Graham Paul Mackie 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.  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	To review Building Safety Case files following EWI survey results	Paul Mackie	31/12/2025	02/07/2025	Limited change - safety case files not yet called in, but will be reviewed following cladding survey results which should be due in next quarter. Bridge House now has 16 residents residing in it as the decent strategy	

		housing			<p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE of high rise blocks</p> <p>Non compliance with BSE</p> <p>Non compliance with BSE</p> <p>Non-compliance with BSE</p> <p>Non-compliance with BSE</p>	<p>Monthly Compliance Steering Group comprising staff from across the Housing Service meet to discuss issues and tasks that are needed.</p> <p>Tenants Voice group and Building Safety Group established</p> <p>Registration of blocks with BSE complete</p> <p>On-going and regular campaigns on fire safety undertaken with residents.</p> <p>Cabinet (Feb 24) approved decommissioning Bridge House - Housing team now progressing decision.</p> <p>Building Safety Case files prepared ready for call in.</p> <p>Commissioned external cladding survey for Park House - draft report received shows low risk tolerable conclusion.</p> <p>Information updated on improved intranet pages</p> <p>Resident engagement strategy for building safety approved</p> <p>Ongoing and regular dialogue with LFRS including site visits</p>			<p>Resident strategy is underway. Work to remove the front cladding on one elevation of Bridge House is commencing in July.</p>
20	<p>SR21 Non compliance with Regulator of Social Housing Standards</p> <p>Dennis Graham</p> <p>Joanne Wilkinson</p>	<p>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</p>	6 (3x2)	Property Financial	<p>Social Housing Regulation</p> <p>Social Housing Regulation</p> <p>Social Housing Regulation</p> <p>Social Housing Regulation</p> <p>Social Housing Regulation</p>	<p>Attendance at benchmarking groups with the Regulator / Ombudsman to stay abreast of updates / developments / best practice / learning</p> <p>Action planning within the service occurs in preparation for changes</p> <p>Quarterly reports available for portfolio holder outlining changes in the previous quarter produced.</p> <p>Service Improvement Plan well established</p> <p>Annual self assessment undertaken against current standards</p>	2 (2x1)	02/07/2025	<p>Limited change.</p> <p>Continue to keep abreast of what's going on through the sector.</p> <p>Recent announcements include - details of professionalisation changes to electrical safety requirements, updates on Awaabs Law etc.. Annual meeting with the regulator booked for middle of July.</p>

		it is unlikely that Councils will meet the required new standards fully and expect to work with landlords to improve performance against new requirements.  Link to Council Plan 24-27: 3.1 Access to Quality Housing			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							
					Social Housing Regulation	Internal Audit to be completed Q3 25/26							
					Social Housing Regulation	Engagement meetings taking place with the Regulator.							
22	SR24 ICT Data Centre  Paul Thompson	Data Centre is dated and improvements needed to satisfy future demand.  Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	Technology	Air conditioning in place to keep the data centre at optimal temperature Back up Date Centre at SALC  Regular fire safety servicing carried out  Water ingress alerts Cabinet have approved money for the build of a new data centre at SALC		6 (3x2)	Data Centre	Business case to be presented to CAG 15th May. Once considered the aim is for it be presented to June/ July Cabinet for formal approval and release from the Development Pool	Nick Goulden Paul Thompson	31/07/2025	16/07/2025	Risk rescored and further control measure added.
23	SR27 - Waste Strategy  Will Griffith	Increased revenue cost burden to the authority and failure to deliver in line with milestones set out by government (31st March 2026).  Link to Council Plan 24-27: 1.5 Reduced Waste	6 (2x3)	Strategy 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	17/07/2025	Risk re-scored to ensure the scoring adds up, following update to matrix.
24	SR28 Delivery of Mainway Project  Joanne Wilkinson	Delivery of the Mainway project is not executed as planned.  Potential Consequences - Reputational risk and loss of trust from residents, risk around finances and health and safety implications.	9 (3x3)	Project / Programme	Mainway project Reports completed on a quarterly basis to update on project progress at a corporate level.  Mainway project Fortnightly project team meetings reviewing progress.		4 (2x2)	Mainway project  Mainway	Procurement of next stages to be completed  Lune and Derby Houses to	Joanne Wilkinson  Joanne	31/03/2027	20/10/2025  31/12/2025	MIAA have nearly completed PBC for Mainway / Skerton case. Ongoing engagement with Homes England now further details of AHP funding

		Delays could also put pressure on staff resources.  This risk is on the Housing Risk Register as "H02 Delivery of Mainway Project" (9th Dec 2024)			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		project	be disposed of	Wilkinson		has been released. Regular meeting of Programme Board. Unfortunately application for Council Housebuilding Support Fund - unsuccessful. Report scheduled for October Cabinet seeking way forward through partnership / as well as seeking price for Council to complete build.
					Mainway project	Demolition of school site completed		Mainway project	Masterplan to be completed	Joanne Wilkinson	31/03/2026	
					Mainway project	Regular meetings with Homes England taking place to keep them abreast of developments		Mainway project	Applications for funding to be submitted where relevant.	Joanne Wilkinson	31/03/2026	
					Mainway project	Financial model put forward to Link						
					Mainway project	Planning application approved for Phase 1a and b						
					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						
					Mainway project	MIAA supporting with PBC for Mainway.						
					Mainway project	Report to Cabinet seeking preferred way forward through seeking partnership (as well as gaining cost for the scheme).						
25	SR29 - Local Government Reorganisation  Mark Davies	In December 2024 the government told local authorities across the UK that Local Government Reorganisation (LGR) will be brought in for geographical areas who	12 (3x4)	Strategy Governance Operations Legal Property Commercial People	Regular discussions at LT and with Members	Regular discussions at LT and with Members, Lancashire Leaders / CEX groups Council have agreed an x party working group	8 (2x4)				05/11/2025	Adjusted risk levels and target risk levels

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.

Technology  
Security  
Project /  
Programme  
Financial  
Data Info  
and  
Management

LGR Steering  
Group

Set up LGR steering group for  
Cabinet and senior officers

Liaise with  
Management  
from nearby  
Lancashire  
Authorities

Liaise with Management from  
nearby Lancashire Authorities to  
understand their thinking and  
positions.

Document is Restricted



**AUDIT COMMITTEE****Annual Council Wide Summary of Risk****19 November 2025****Report of Chief Officer Resources****PURPOSE OF REPORT**

As a result of the Audit of Risk Management carried out in May 2025, an annual report has been introduced to show a summary of all risks across the Council to better inform the Audit Committee of the Council's risk position.

**This report is public.**

**Recommendations**

- (1) The Audit Committee note the report and its appendix.

**1.0 Introduction**

- 1.1 The audit of Risk Management Core Control, completed in May 2025 recommended that "The high risks included within the operational and project risk registers should be presented to Cabinet and Audit Committee at least once annually, for oversight purposes and for wider context to support decision making." On consulting the Council's constitution, it was felt that sharing the details with Cabinet and Audit Committee of operational and project risks which are high risk (red) is not required, as it is outside of the remit for these committees. However, it would be appropriate to share a summary of this information, so the committees can see how many Red, Amber and Green risks there are for each operational and project risk register, without providing further detail. As such, a report has been produced containing this and other relevant information. This will be run annually.

**2.0 Risk Management Overview**

Appendix A shows six pages of summarised risk information. The bullet points below explain the information which can be seen on each page.

- 2.1 **Risk Scoring Matrix:** Showing the Council's risk scoring matrix, as adopted on 3<sup>rd</sup> June 2025, following the recommendation of some consultancy work.

- 2.2 **Operational Risks 29.10.25:** Showing the Council's operational (or service) risk registers, with a summary of the risk scoring for each register and a pie chart to show the overall picture for operational risks, including those for the shared service. Run on 29<sup>th</sup> October 2025.
- 2.3 **Operational Comparison 29.10.25:** Similar to the previous worksheet, showing the Council's operational (or service) risks for Q1 and Q2. Earlier scores are not included as prior to Q1 we used a 4x4 risk matrix, rather than the 5x5 we use now. Run on 29<sup>th</sup> October 2025.
- 2.4 **Q2 25-26 Project Risks:** A table showing a risk count for each of the Council's strategic projects, run at the end of Q2 25/26.
- 2.5 **Q2 Project Comparison:** Showing a count of all risks open for strategic projects comparing Q1 and Q2. Report run at the end of Q2 25/26.
- 2.6 **Risk Appetite Scores 29.9.25:** Report run on 29<sup>th</sup> September showing the risk provide guidance on the numbers of risks currently within and outside of the Council's risk appetite. This information was seen by Cabinet on 21<sup>st</sup> October, to help them make an informed decision on the Council's risk appetite. It includes operational risks, project risks and strategic risks logged within the Grace system.

There are a number of reasons why risks could be outside of the Council's risk appetite. These include:

- The risk being newly identified and therefore officers have not yet had the opportunity to take corrective action (add control measures)
- The risk being outside of the Council's control

Where risks are outside of our risk appetite, officers are advised to take actions to manage the risk and put suitable control measures in place. This is not always possible as it is dependent on the nature of the risk.

It is important to note that each risk can belong to one or more risk categories, hence the total of 603 being higher than the total number of risks held.

### 3.0 Options and Options Analysis

- 3.1 This report is for noting, rather than decision making. Therefore, there is no options or analysis.

### 4.0 Conclusion

- 4.1 Multiple risk registers for operational services and projects are in place. There is also one strategic risk register showing the Council's most significant risks.

4.2 The numbers of risks held in the system vary from quarter to quarter, pointing to regular updates being made.

4.3 The vast majority of risks are within the Council's risk appetite.

<b>CONCLUSION OF IMPACT ASSESSMENT</b> <b>(including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):</b>  There is no direct impact arising from this report.	
<b>LEGAL IMPLICATIONS</b>  There are no direct legal implications arising from this report.	
<b>FINANCIAL IMPLICATIONS</b>  There are no direct financial implications arising from this report.	
<b>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces</b>  There are no direct resource implications arising from this report.	
<b>SECTION 151 OFFICER'S COMMENTS</b>  The Section 151 Officer has contributed to this report in his role as Chief Officer Resources, including responsibility for Internal Audit.	
<b>MONITORING OFFICER'S COMMENTS</b>  The Monitoring Officer has been consulted and has no further comments.	
<b>BACKGROUND PAPERS</b>  N/A	<b>Contact Officer:</b> Claire Dubelbeis, Projects and Performance Manager <b>Telephone:</b> 01524 582505 <b>Email:</b> CDubelbeis@lancaster.gov.uk <b>Ref:</b> N/A

Risk Scoring Matrix

Impact	Catastrophic 5	5 Low	10 Moderate	15 High	20 High	25 High
	Major 4	4 Low	8 Moderate	12 Moderate	16 High	20 High
	Moderate 3	3 Very Low	6 Low	9 Moderate	12 Moderate	15 High
	Minor 2	2 Very Low	4 Low	6 Low	8 Moderate	10 Moderate
	Insignificant 1	1 Very low	2 Very Low	3 Very Low	4 Low	5 Low
		Remote 1	Unlikely 2	Possible 3	Highly Likely 4	Almost Certain 5
		Likelihood				

Refer to the Council's risk management policy for further information

Operational Risks 29.10.25

Operational Risk Register	Red (15-25)	Amber (8-12)	Yellow (4-6)	Green (1-3)	Not scored	Total
Climate Change	0	1	0	0	0	1
Growth	0	7	1	0	0	8
Animal Welfare	0	0	0	4	0	4
Assembly Rooms	0	0	5	2	0	7
Business Support	2	0	1	2	0	5
Cemeteries	0	0	0	6	0	6
Charter Market	0	0	6	0	0	6
Communications	0	1	7	2	0	10
Community Connectors	0	3	0	1	0	4
Creditors	0	0	1	4	0	5
Customer Services	0	5	0	0	0	5
Debtors	0	0	0	5	0	5
Economic Growth and Regeneration	0	6	1	0	0	7
Elections	0	2	7	4	0	13
Energy and Sustainability Team	0	0	0	0	1	1
Engineers	2	2	0	0	0	4
Executive Support	0	0	1	4	0	5
Facilities Management	0	0	5	1	0	6
Festival Market	0	2	5	4	0	11
Fleet Management	0	0	4	3	0	7
Food Safety	0	3	2	1	0	6
Health and Safety	1	14	1	0	0	16
Housing	4	17	26	10	0	57
Human Resources	0	1	1	3	0	5
ICT	0	0	4	2	0	6
Income	0	0	0	5	0	5
Information Governance	0	0	2	10	0	12
Insurance	0	2	0	4	0	6
Legal	0	1	3	3	0	7
Licensing	0	7	0	0	0	7
Marketing and Tourism	0	4	1	1	0	6
Museums	0	1	0	2	0	3
Parking Services	0	0	3	5	0	8
Payroll	0	0	2	4	0	6
Procurement	0	1	0	6	0	7
Projects and Performance	0	5	3	1	0	9
Property	2	10	0	3	0	15
Public Health	0	0	0	1	0	1
Public Realm	0	1	0	0	0	1
Regeneration	0	4	1	0	0	5
Risk Management	0	1	5	0	0	6
Salt Ayre	0	3	2	3	14	22
Service Resilience	0	3	0	0	0	3
Tree Risk Management	0	1	0	0	0	1
Waste and Recycling	0	0	0	17	0	17
Williamson Park	0	2	0	7	0	9
* BID - Collection Recovery	0	0	N/A	4	0	4
* Corporate Fraud	0	1	N/A	7	0	8



* Council Tax	0	0	N/A	7	0	7
* Housing Benefits	1	1	N/A	6	0	8
* New Council Tax Support	0	1	N/A	0	0	1
* NNDR	0	1	N/A	6	0	7
* Operations and Performance	0	4	N/A	6	0	10
* Revs and Bens	0	1	N/A	0	0	1
<b>Total</b>	<b>12</b>	<b>119</b>	<b>100</b>	<b>166</b>	<b>15</b>	<b>412</b>

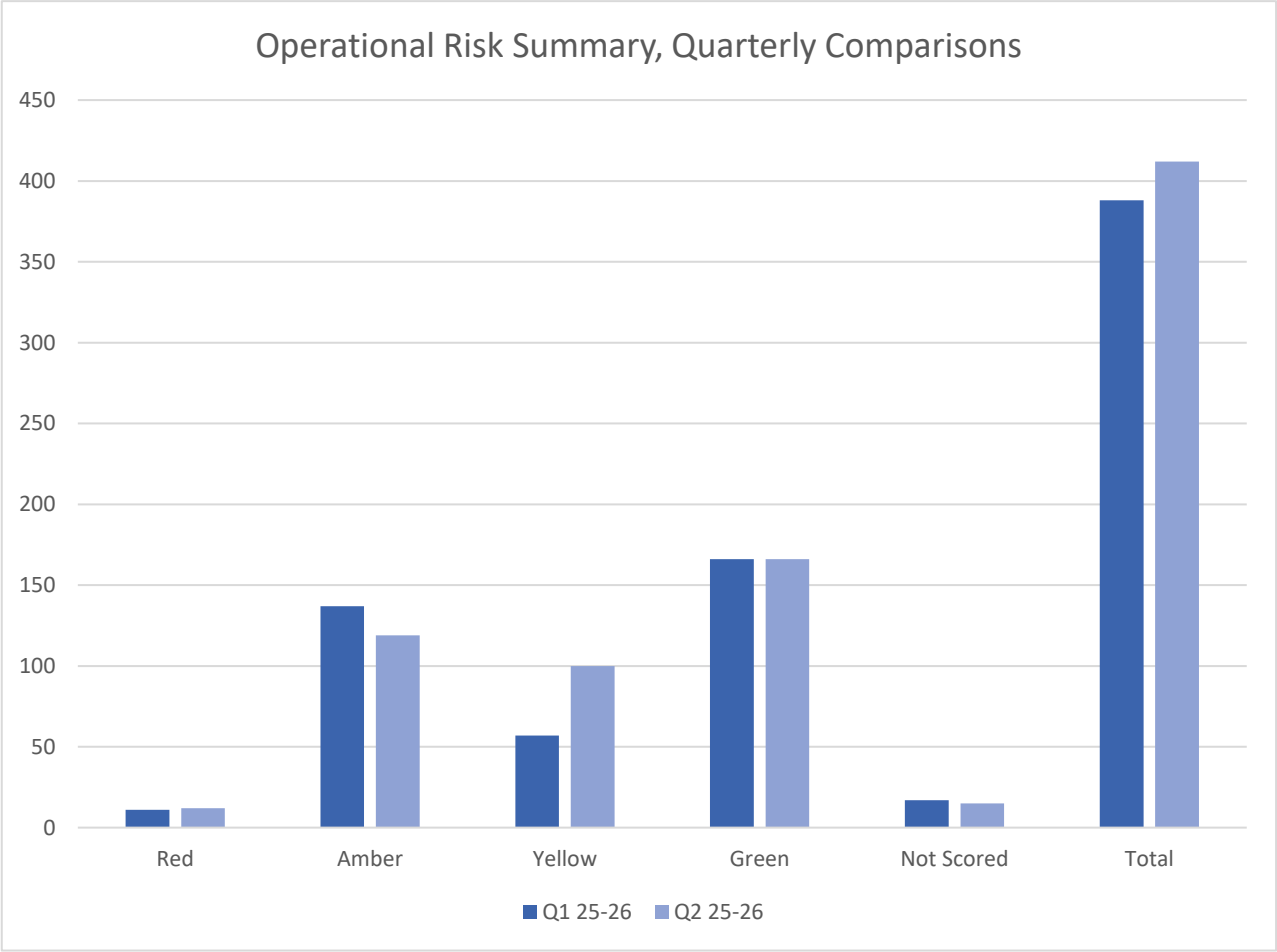
\* = From Preston City Council shared service, and therefore scored slightly differently as they use a 3x3 matrix with Red, Amber,

Operational Comparison 29.10.25

Operational Risk Register	Q2 25-26							Q1 25-26							
	Red	Amber	Yellow	Green	Not Scored	Total		Red	Amber	Yellow	Green	Not Scored	Total		
Service Level Operational Risks - Planning and Climate Change		0	1	0	0	0	1		0	1	0	0	0	0	1
Service Level Operational Risks - Sustainable Growth		0	7	1	0	0	8		0	0	0	0	0	0	0
Animal Welfare		0	0	0	4	0	4		0	0	0	4	0	0	4
Assembly Rooms Emporium		0	0	5	2	0	7		0	0	5	2	0	0	7
Business Support		2	0	1	2	0	5		0	0	0	0	0	0	0
Cemeteries		0	0	0	6	0	6		0	0	0	6	0	0	6
Charter Market		0	0	6	0	0	6		0	0	6	0	0	0	6
Communications		0	1	7	2	0	10		0	8	0	2	0	0	10
Community Connectors		0	3	0	1	0	4		0	3	0	1	0	0	4
Creditors		0	0	1	4	0	5		0	2	0	3	0	0	5
Customer Services		0	5	0	0	0	5		1	4	0	0	0	0	5
Debtors		0	0	0	5	0	5		0	2	0	3	0	0	5
Economic Growth and Regeneration		0	6	1	0	0	7		1	6	1	0	0	0	8
Elections		0	2	7	4	0	13		0	2	7	4	0	0	13
Energy and Sustainability Team		0	0	0	0	1	1		0	0	0	0	1	0	1
Engineers		2	2	0	0	0	4		0	0	0	0	0	0	0
Executive Support		0	0	1	4	0	5		1	0	0	4	0	0	5
Facilities Management		0	0	5	1	0	6		0	4	0	2	0	0	6
Festival Market		0	2	5	4	0	11		0	2	2	7	0	0	11
Fleet Management		0	0	4	3	0	7		0	4	0	3	0	0	7
Food Safety		0	3	2	1	0	6		0	4	1	1	0	0	6
Health and Safety		1	14	1	0	0	16		1	15	1	0	0	0	17
Housing		4	17	26	10	0	57		2	16	23	9	0	0	50
Human Resources		0	1	1	3	0	5		0	1	1	3	0	0	5
ICT		0	0	4	2	0	6		1	2	0	3	0	0	6
Income		0	0	0	5	0	5		0	2	0	3	0	0	5
Information Governance		0	0	2	10	0	12		0	2	0	10	0	0	12
Insurance		0	2	0	4	0	6		0	2	0	4	0	0	6
Legal		0	1	3	3	0	7		0	4	0	3	0	0	7
Licensing		0	7	0	0	0	7		0	7	0	0	0	0	7
Marketing and Tourism		0	4	1	1	0	6		0	5	0	1	0	0	6
Museums		0	1	0	2	0	3		0	1	0	2	0	0	3
Parking Services		0	0	3	5	0	8		0	2	0	5	0	0	7
Payroll		0	0	2	4	0	6		1	1	0	4	0	0	6
Procurement		0	1	0	6	0	7		0	1	0	6	0	0	7
Projects and Performance		0	5	3	1	0	9		0	5	3	1	0	0	9
Property		2	10	0	3	0	15		2	11	0	3	0	0	16
Public Realm		0	0	0	1	0	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public Health		0	1	0	0	0	1		0	0	0	1	0	0	1
Regeneration		0	4	1	0	0	5		0	0	0	0	0	0	0
Risk Management		0	1	5	0	0	6		0	1	5	0	0	0	6
Salt Ayre		0	3	2	3	14	22		0	3	2	5	16	0	26
Service Resilience		0	3	0	0	0	3		0	3	0	0	0	0	3
Tree Risk Management		0	1	0	0	0	1		0	1	0	0	0	0	1
Waste and Recycling		0	0	0	17	0	17		0	0	0	17	0	0	17
Williamson Park		0	2	0	7	0	9		0	1	0	8	0	0	9
* BID - Collection Recovery		0	0	N/A	4	0	4		0	0	N/A	4	0	0	4

* Corporate Fraud	0	1	N/A	7	0	8		0	1	N/A	7	0	8
* Council Tax	0	0	N/A	7	0	7		0	0	N/A	7	0	7
* Housing Benefits	1	1	N/A	6	0	8		1	1	N/A	6	0	8
* New Council Tax Support	0	1	N/A	0	0	1		0	1	N/A	0	0	1
* NNDR	0	1	N/A	6	0	7		0	1	N/A	6	0	7
* Operations and Performance	0	4	N/A	6	0	10		0	4	N/A	6	0	10
* Revs and Bens	0	1	N/A	0	0	1		0	1	N/A	0	0	1
Total	12	119	100	166	15	412		11	137	57	166	17	388

	Red	Amber	Yellow	Green	Not Scored	Total
Q1 25-26	11	137	57	166	17	388
Q2 25-26	12	119	100	166	15	412
Q3 25-26						
Q4 25-26						





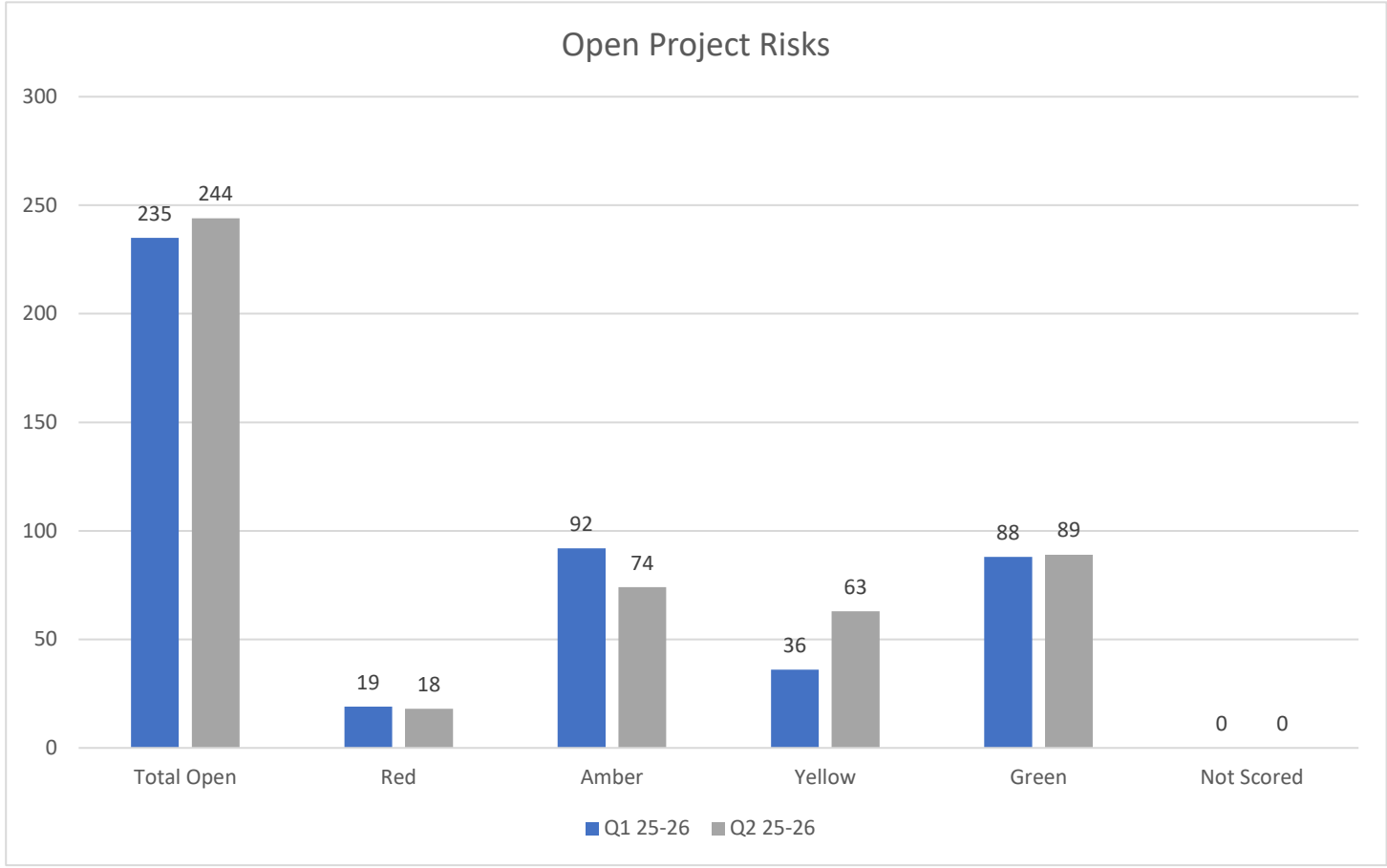
Q2 25-26 Project Risks

		Quarter 2 25-26						
Project Name	Project Stage	Total Open Risks	Red Risk Count	Amber Risk Count	Yellow Risk Count	Green Risk Count	Not scored	Notes
1 Lodge Street Urgent Structural Repairs	Delivery	5	0	0	0	5	0	
Burrow Beck Solar Farm	Delivery	4	0	2	0	2	0	
Canal Quarter - Coopers Field	Detailed Business Case	74	15	27	0	32	0	
Canal Quarter Phase 3	Delivery	7	0	1	5	1	0	
Centenary House	Delivery	5	0	1	2	2	0	
Eden Project Morecambe	Detailed Design	7	0	1	3	3	0	
Fair Work Charter	Delivery	6	0	0	3	3	0	
Frontierland	Delivery	5	0	2	3	0	0	
Heysham Gateway	Detailed Design	4	0	2	2	0	0	
Lune Flood Protection, Caton Road	Feasibility	5	0	0	2	3	0	
My Mainway	Detailed Business Case	41	3	18	0	20	0	Using different scoring mechanism. Figures from January 2025
Our Future Coast	Delivery	3	0	0	0	3	0	
Outcomes Based Resourcing (OBR) / Fit for the Future	Delivery	56	0	15	37	4	0	
Public Sector Decarbonisation Scheme Phase 3c	Detailed Design	7	0	2	3	2	0	
Roof Mounted Solar Array – Gateway, White Lund	Delivery	6	0	1	1	4	N/A	
SALC Data Centre	Detailed Design	3	0	2	0	1	0	
UK Shared Prosperity Fund	Delivery	0	0	0	0	0	0	
White Lund Depot	Delivery	6	0	0	2	4	0	
Williamson Park Development (Café and Play Development)	Feasibility	0	0	0	0	0	0	
Total		244	18	74	63	89	0	

Q2 Project Comparison

Quarter - Count	Total Open	Red	Amber	Yellow	Green	Not Scored
Q1 25-26	235	19	92	36	88	0
Q2 25-26	244	18	74	63	89	0
Q3 25-26						
Q4 25-26						

Quarter - Percentage	Total Open	Red	Amber	Yellow	Green	Not Scored
Q1 25-26	235	8.1	39.1	15.3	37.4	0.0
Q2 25-26	244	7.4	30.3	25.8	36.5	0
Q3 25-26						
Q4 25-26						



## Risk Appetite Scores 29.9.25

Table to show the residual risk scores for Strategic, Project and Operational risks open within the Grace risk management system and the scores they have, **as at 29<sup>th</sup> September 2025**.

- The yellow shading has been used to show all the risks within the council's risk appetite.
- The red shading has been used to the risks above the council's risk appetite.

<b>Risk Category - Count and Score</b>	<b>1-6</b>	<b>8-9</b>	<b>10-12</b>	<b>15+</b>	<b>Not scored</b>	<b>Total</b>
Strategy (Cautious, Score 8-9)	13	6	1	0	0	20
Governance (Cautious, Score 8-9)	4	5	1	0	0	10
Operations (Open, Score 10-12)	100	42	9	4	13	168
Legal (Cautious, Score 8-9)	13	9	4	1	3	30
Property (Open, Score 10-12)	21	14	0	2	0	37
Financial (Cautious, Score 8-9)	89	40	6	4	3	142
Commercial (Open, Score 10-12)	16	7	2	0	0	25
People (Cautious, Score 8-9)	39	24	8	0	5	76
Technology (Open, Score 10-12)	13	8	1	0	1	23
Data Info and Management (Cautious, Score 8-9)	11	5	4	0	0	20
Security (Cautious, Score 8-9)	13	8	0	0	0	21
Project / Programme (Open, Score 10-12)	59	29	3	1	4	96
<b>Total (by score)</b>	<b>391</b>	<b>197</b>	<b>39</b>	<b>12</b>	<b>29</b>	<b>-</b>
<b>Within risk appetite</b>						<b>603</b>
<b>Above the risk appetite</b>						<b>36</b>

Note:

- The risks from the shared service and the Mainway project are not included in the above figures, as they are logged in separate systems.
- Risks can belong to multiple categories. In total there are approximately 560 risks open in the Grace risk management system.

**AUDIT COMMITTEE****19 November 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 plans 2024/25 and 2025/26.

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 and 2025/26 audit plans 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 2024/25

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

Internal Audit Plan 2025/26

[Agenda ofr Audit Committee 19 March 2025  
6pm](#)

MIAA Internal Audit Progress Reports

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

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

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

[Agenda for Audit Committee 19 March 2025](#)

[Agenda for Audit Committee 21 May 2025](#)

[Agenda for Audit Committee 30 July 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> November 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

## Global Internal Audit Standards (UK public sector)

Our work was completed in accordance with Global Internal Audit Standards (UK public sector).

## 1 Introduction

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2024/25 and 2025/26 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 Global Internal Audit Standards (UK public sector).

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 July 2025 to November 2025.

## 2 Key Messages for Audit Committee Attention

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 from the 24/25 and 25/26 audit plans:

- Key Financial Controls (Limited Assurance)
- Environmental Enforcement – Fly Tipping (Substantial Assurance)
- Corporate Health & Safety (Moderate Assurance)
- Mandatory Training (Moderate Assurance)
- Car Parks (Substantial Assurance)
- Fleet Stock (Moderate Assurance)

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



The remaining 2024/25 audit review is at draft report stage:

- IT Asset Management (draft report)

The following 2025/26 audit reviews are in progress or are being planned as follows:

- Food Safety (fieldwork)
- Treasury Management (fieldwork)
- Key Financial Controls (fieldwork)
- Social Housing Regulator (fieldwork)
- Revenues and Benefits (fieldwork)
- Cyber (Planning)
- Insurance (planning complete, fieldwork scheduled quarter 4)

## 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 July 2025. 19 recommendations have been completed since July 2025, and 3 recommendations have been superseded by inclusion on a recent audit completed. 2 reports have had all actions completed Purchase to Pay and Income Cash and Cards. There are 73 actions either in progress or not yet due. There are 7 actions which are overdue, and we are awaiting updates from management on progress. The critical recommendation for procurement cards has been implemented.

Management are working with MIAA to ensure that actions are implemented.

## 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.

- The Insurance review was to be completed in quarter 2 to be moved to quarter 4, due to resources at the Council.

### MIAA – Assured provider to the NCSC Cyber Resilience Audit Scheme

**We are proud to announce that MIAA has been officially recognised as an Assured provider under the National Cyber Security Centre's (NCSC) Cyber Assessment Framework (CAF).**

This accreditation marks a major milestone for MIAA and reflects our ongoing commitment to helping organisations strengthen their cyber resilience and safeguard critical systems and services.

This achievement, which is the result of a rigorous assessment process, demonstrates our credentials in auditing against the NCSC's Cyber Assessment Framework and, highlights the exceptional skills and experience of our staff as well as our organisational commitment to the highest cyber security standards. While this recognition is a tremendous achievement for MIAA, its greatest value lies with our clients, who can be confident they are engaging highly skilled individuals and a trusted, high-quality audit provider.

The Cyber Resilience Audit (CRA) scheme provides assurance for organisations delivering independent cyber audits, with a strong focus on the Cyber Assessment Framework (CAF). By becoming an NCSC Assured Provider, MIAA has demonstrated:

- Expertise in auditing against the CAF.
- Independence and integrity in delivering high-quality assessments.
- Dedication to helping organisations manage cyber risks in an ever-changing threat landscape.

## Added Value

### Briefings

Our latest briefings/blogs/podcasts are:

- [Celebrating 10 Years of the MIAA Internship Programme: Reflections from Our 2024 Interns](#)
- [Andy Maloney Blog: Neighbourhoods First: Transforming Local Health and Care Together](#)
- [25/26 MIAA Insight - AI Governance Checklist](#)
- [25/26 MIAA Insight - Local Authority Audit Committee Members Roles and Responsibilities](#)
- 25/26 MIAA Insight – Audit Committee Briefing – Global Internal Audit Standards UK Public Sector

### Events






[Powerful Allyship: Everyone's Role \(21st January 2026\)](#): In this masterclass we will share the principles and practices around allyship and showcase the positive impact allyship has on organisational culture and productivity. We will consider the role we all have as allies, alongside practical tools to facilitate leaders to create the conditions for allyship to thrive.




## Appendix A: Contract Performance

The Global Internal Audit Standards (UK public sector) state that ‘In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 25/26:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Reviews				
Key Financial Controls	✓	In progress		
Risk Management	Q4			
Treasury Management	✓	In progress		
Revenue and Benefits	✓	In progress		
Mandatory Training	✓	Completed	Moderate	November 2025
Cyber		Planning		
Risk Based Reviews				
Fleet Stock	✓	Completed	Moderate	November 2025

Food Safety		In progress		
Car Parks		Completed	Substantial	November 2025
Insurance (was Building Maintenance Stock)		Scheduled for Q4		
Corporate Health and Safety		Completed	Moderate	November 2025
Social Housing Regulator		In progress		
Building Statutory Compliance (moved from Q2)	Q4			
Follow Up				
Quarter 1	N/A	Complete	N/A	July 2025
Quarter 2	N/A	Complete	N/A	November 2025
Quarter 3	N/A		N/A	
Quarter 4	N/A		N/A	
Added Value / Support & Guidance				
Audit Committee & Internal Audit Effectiveness Briefing	N/A	Completed	N/A	

Social Housing Wave 3 – Chief Auditor Declaration	N/A	Completed	N/A	
2024/25 Reviews				
Key Financial Controls		Complete	Limited	November 2025
IT Asset Management*		Draft Report		
Environmental Enforcement – Fly-tipping*		Complete	Substantial	November 2025
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 2025/26 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.
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.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	100%
Percentage of recommendation which are implemented	Each Audit Committee	Amber	There is a total of 162 recommendations made as at Appendix D. 41 of these are not due for follow up, as the implementation date

Element	Reporting Regularity	Status	Summary
			<p>has not passed. Of the remaining 120 recommendations, 82 (68%) have been actioned or superseded and 31 (26%) are in progress. There are 7 overdue (6%). There are 18 high priority actions outstanding.</p> <p>MIAA are working with management to ensure actions are completed.</p>



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

Report Title	Key Financial Controls			
Executive Sponsor	Head of Financial Services & Section 151 Officer			
Objective	To provide assurance that the most significant key controls in the general ledger, accounts payable and accounts receivable systems are appropriately designed and operating effectively in practice.			
Assurance Rating	Limited			
Recommendations	0 x Critical	2 x High	5 x Medium	2 x Low
Summary	<p>It was noted that each area reviewed had controls in place, these did not always encompass all system elements and were not consistently operated.</p> <p><b>General ledger</b> – Control accounts were completed in a timely manner and were approved, the financial position was reported both accurately and timely and access to Civica and limits established therein were governed by managerial controls in place. There were amounts held on the bank account and payroll control accounts over many periods, and in some cases years, which had not been cleared, this includes an amount of £2,600 that is brought forward each month on the bank accounts without clearing and has been held on the account for over 10 years. Civica access allowed journals to be input and approved by the same individual. There was no agreed guidance in place such as a Scheme of Delegation to document financial thresholds for Council Officers and staff, and there was no goods received not invoiced control account being completed.</p> <p><b>Accounts Payable</b> – The setup of new suppliers were noted to be well controlled. The payment runs were completed timely and approved prior to submission. However, individuals had the capability within the accounts payable system to raise, approve and receipt a purchase order without any independent</p>			

	<p>intervention or check taking place and evidence for faster payments had not been retained on the system in all instances, and one faster payment reviewed should have been paid via the usual PO route.</p> <p><b>Accounts Receivable</b> – Debt management is undertaken within each service with full records maintained in respect of the position of each debt noted in the areas that were reviewed. Write Offs were noted to be approved at the appropriate level for those evidenced as part of the review. There was a high amount of debt noted on the councils aged debt report aged over 92 days, £2.7m, the policy states that Service Heads are responsible for reporting on their debt position to the Cabinet and also reporting any write offs over £500, these reports are not currently being presented. There was also a large amount of credit held on the aged debt report, £52.9K as at 1 February 2025.</p>
--	---

<b>Report Title</b>	<b>Environmental Protection – Fly Tipping</b>			
Executive Sponsor	Chief Officer – Environment and Place			
Objective	<p>To identify and evaluate the controls in place to manage key risks which would affect the effective operation of the Councils system for Environmental Enforcement Fly-Tipping.</p> <p><b>Scope Limitation:</b> The review did not provide assurance on the appropriateness of any Environmental Enforcement Fly-Tipping decisions made by the Council, including the legal team criteria and decision-making processes for legal proceedings. The scope did not include fly-tipping on private land.</p>			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	1 x Low
Summary	<p>Overall, the Council has adequate processes in place to manage fly-tipping, responsible officers are proactive in identifying and addressing hot spot areas and taking targeted action. Incidents are triaged and appropriately responded to with a case-by-case review process in place to consider the other contributory factors. Persistent offences would be escalated and referred to the Environmental Health</p>			

	<p>(Enforcement) team for further investigation and action. Fly-tipping incidents are reported on the Granicus system on receipt, the Civica/APP system is used to record and manage cases referred to the Environmental Health Team.</p> <p>The review identified the following control weaknesses:</p> <ul style="list-style-type: none"> <li>• The Granicus system does not interface with other Council systems including the Civica/APP system, as such, any cases referred for further investigation and action cannot easily be followed through.</li> <li>• The Council Fly-Tipping Strategy was in draft form at the time of our review and the action plan for 2025/26 to underpin the strategy was also therefore not in place.</li> <li>• An operational fly-tipping procedure was not in place to guide the management of incidents, including the referrals between the different Council teams.</li> <li>• Sample testing of 15 incidents referred to the Environmental Health (Enforcement) team found instances of dates being recorded incorrectly and large gaps being found in the incident management history on the Civica/APP system.</li> <li>• The Environment &amp; Place Quarterly Overview Report could be further strengthened to include an overview of actions taken in the quarter, incidents referred for further investigations/enforcement. We also noted that the performance against the fly tipping KPI was not included in the performance report to the Budget and Performance Committee.</li> </ul>
--	--

<b>Report Title</b>	<b>Corporate Health &amp; Safety</b>
Executive Sponsor	Chief Officer – People & Policy
Objective	To evaluate the controls in place to identify and manage risks in relation to compliance with the Corporate Health and Safety requirements.

	<b>Scope Limitation:</b> The review did not confirm compliance with the Health and Safety at Work Act (1974) and Management of Health and Safety at Work Regulations (1999). The scope was restricted to the review of the arrangements for the health and safety of employees only.			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	3 x Medium	0 x Low
Summary	<p>Overall, the review identified that controls have been designed in most areas to manage health and safety effectively within the organisation. A high-risk recommendation has been included in relation to the effectiveness of controls around risk assessments. Health and safety related risk assessments have been completed in paper form and retained at service level with some starting to be recorded on the MyCompliance system at the time of the audit. There was previously no mechanism to monitor the satisfactory completion of the risk assessments completed by all services. Assurance that risks were being reviewed in line with requirements and that any related action plans were being implemented in a timely manner cannot be provided – this has resulted in the overall moderate assurance opinion.</p> <p>The Health and Safety Manager role was appointed to in April 2024, the post was vacant for a period prior to this. The focus has been on developing the strategy and underpinning service plan, ensuring the required training is completed by staff and in implementing a risk assessment and incident management electronic system to facilitate central management and oversight processes and to ensure actions are implemented. Policies and procedures have been developed in relation to completing risks assessments, in investigating incidents and in staff training requirements. Substantial progress has also been made in making the relevant resources and training available to staff.</p> <p>Further areas for improvement have been identified and relate to the following:</p> <ul style="list-style-type: none"> <li>• The training monitoring arrangements from the Health and Safety Service perspective had not been defined</li> <li>• The terms of reference relating to the Health and Safety Committee require a full review and update.</li> <li>• Proactive and informed audit and self-assessment processes have not been fully developed.</li> </ul>			

Report Title	Mandatory Training			
Executive Sponsor	Chief Officer – People & Policy			
Objective	<p>To provide assurance on the controls in place for mandatory training and that they were appropriately designed and operating effectively.</p> <p><b>Scope Limitation:</b> The review was limited to the controls in operation at the organisation and focused on all staff including agency, we did not consider compliance with corporate or local inductions.</p>			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	4 x Medium	1 x Low
Summary	<p>Overall, our review found 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.</p> <p>The Council has a Learning and Development Strategy that was approved by the People and Organisational Development Committee in November 2023, which highlights the significance of mandatory training for staff amongst its learning and development goals. The strategy has a next review date of November 2026. All mandatory training activities are conducted via an online platform called Learning Zone which is accessible by all staff via personal or Council devices. Sample testing identified new hires are added in a timely manner to the Learning Zone and leavers have their access promptly withdrawn and their training record archived. Chief officers and managers are able to check on the compliance of their teams through the managers dashboard on the Learning Zone, with a PowerBI report also built for Chief Officers to view compliance information within their service.</p> <p>The following areas for improvement were identified; agency staff may not have access to mandatory training and there may be gaps in the monitoring of this information. The Council lacks a unified policy and documented procedures for managing mandatory training and currently does not apply a role-specific</p>			

	<p>mandatory training methodology, resulting in staff being enrolled in courses that are not necessarily relevant to their job roles. This negatively affects training completion rates. MIAA were informed that work is ongoing to define mandatory training per role. Additionally, the Learning Zone system is not integrated with HR and Payroll systems, leading to manual data entry and potential errors, including missing hierarchy data that affects compliance reporting at managerial levels. There are no escalation procedures or sanctions for staff who fail to complete mandatory training. A review of new starters training records revealed gaps in Health and Safety and Data Protection training completion. Overall training completion compliance is poor, with an average 39% non-compliance rate in key areas such as Prevent, Safeguarding Children and Adults, and Health and Safety. Furthermore, there are no mitigation plans in place to improve training completion rates.</p>
--	---

<b>Report Title</b>	<b>Car Parking</b>			
Executive Sponsor	Chief Officer – Sustainable Growth			
Objective	The overall objective was 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.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	2 x Low
Summary	<p>Overall, our review found that there is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.</p> <p>The Council has a recently approved Parking Strategy in place and undertakes annual reviews of car parking charges. There are also clear processes in place for the reconciliation of income, annual inspections of car parks and a contract in place with Lancashire County Council for management and</p>			

	<p>enforcement services. However, already this contract has been previously extended there is no evidence to support formal agreement of further extensions beyond August 2024.</p> <p>Comparison of full year off street parking revenues for 24/25 (cash/card/app) shows although the Council switched to going cashless (apart from one car park) from October 2024 onwards due to repeated theft and damage, full year figures have actually increased from 23/24 from £3.3m to £3.6m, though this may be in part due to an increase in tariffs in 24/25 following a period of sustained cost inflation, this does indicate consistent usage levels.</p> <p>However, some areas with room for improvement and strengthening of controls were identified, including further formalising oversight and reporting on delivery of the parking strategy, consistencies with detail recorded for annual car park inspections and assurance on any action taken as a result of this and further assurance from Lancashire County Council that the 33% of Penalty Charge Notices (PCNs) unpaid each month have followed all agreed processes in a timely manner to secure payment.</p>
--	--

<b>Report Title</b>	<b>Fleet Management</b>			
Executive Sponsor	Chief Officer – Environment and Place			
Objective	<p>Overall Audit Objective: To review the controls in place to manage key risks for fleet vehicle stock and any personal usage and consider whether they are operating effectively</p> <p>Scope Limitation: The audit focused on the subobjectives outlined in the terms of reference. MIAA did not provide assurance over the accounting of fleet stock, driver licence checks or imprest stock or oil stock.</p>			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	4 x Medium	2 x Low

Summary	<p>Overall, 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.</p> <p>Areas of good practice related to policies and procedures being in place in relation to fleet vehicles and driving at work which were accessible to staff. There was monitoring in place of fleet vehicles with audits completed, reports provided to senior managers and meetings with Councillors. The yard in which vehicles were left overnight had security measures in place.</p> <p>The following areas of improvement were identified. There were limited controls in place for the disposal of Council vehicles including segregation of duties and approval channels. The Council needs to implement a process for approval of vehicle disposals. There was data in the fleet master spreadsheet that needed updating to align with what was documented on the DVLA fleet system. There was no oversight or monitoring of training supplied to staff who drive as part of their Council duties from the Transport manager. Compliance was found to be low for staff who drive as part of their council duties when sample testing was completed on the Daily Vehicle Checks mandatory training. There were gaps between what was stated in the policy and the actual procedure taking place for the daily and weekly vehicle checks. Smaller improvement areas related to the policy not referring to the storage of Council vehicles. There was no further documentation of storage arrangements. Testing identified all in the sample could request a V5 document from the DVLA except for one vehicle, this vehicle had changed its registration at the beginning for 2025 financial year and so this was not on the fleet scheme system when the audit testing was completed in August.</p>
---------	---



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

The status of the actions is as at 10<sup>th</sup> November 2025.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
2021/22											
Council Tax	8	Moderate	7	1	-	-	-	-	1	-	Remaining recommendation in progress.
P2P System	4	Limited	1/3*	-	-	-	-	-	-	-	3 recommendations superseded by 2024/25 Financial Controls recommendations raised.
2022/23											
Budgetary Controls	3	Substantial	2	-	-	1	-	-	-	1	Remaining recommendation in progress with a revised deadline.
Cyber Security	Confidential										All recommendations in progress.
Data Protection: Policy and Process Follow up	Confidential										All recommendations in progress.
Resilience and Emergency Preparedness	7	Limited	6	1	-	-	-	-	1	-	Remaining recommendation in progress.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress.
Contracts	11	Limited	2	9	-	-	-	3	5	1	Remaining recommendations in progress.
2023/24											

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Payroll	6	Limited	5	1	-	-	-	1	-	-	High recommendation in progress.
Risk Management	6	Substantial	5	-	-	1	-	-	-	1	Remaining recommendation not yet due.
Climate Change	5	Substantial	3	1	-	1	-	-	1	1	Medium recommendation not yet due and low recommendation in progress.
Reactive Repairs and Maintenance	9	Limited	6	3	-	-	-	3	-	-	All recommendations in progress.
Budgetary Control	7	Substantial	5	1	-	1	-	-	1	1	Medium recommendation not yet due and low recommendation in progress.
Mobile Device Management	Confidential										All recommendations in progress.
2024/25											
Air Quality Duty Review	5	Substantial	2/2*	1	-	-	-	-	-	1	Remaining recommendation in progress. 2 recommendations not taken forward.
Income – Cash and Cards Review	12	Limited	12	-	-	-	-	-	-	-	All recommendations implemented.
Procurement Cards	10	No	6	2	-	2	-	-	4	-	Critical and high recommendation implemented. 2 medium recommendations not yet due based on revised deadlines and 2 medium recommendations in progress.
Homelessness	7	Limited	4	1	-	2		1	2	-	Recommendations in progress or not yet due. High recommendations not yet due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Markets	7	Moderate	2	-	-	5	-	1	3	1	Recommendations not yet due.
Appraisals	6	Moderate	5	-	1	-	-	-	1	-	1 medium recommendation awaiting update.
Social Housing Rent Setting	3	Substantial	-	-	-	3	-	-	2	1	Recommendations not yet due based on revised deadlines.
Risk Management	4	Moderate	-	1	-	3	-	1	2	1	Recommendations in progress or not yet due.
Environmental Fly Tipping	5	Substantial	-	-	5	-	-	-	4	1	Awaiting update.
Key Financial Systems	9	Limited	2	5	1	1	-	1	4	2	Recommendations in progress or awaiting update or not yet due.
<b>25/26</b>											
Mandatory Training	6	Moderate	-	-	-	6	-	1	4	1	Recommendations not yet due.
Fleet Stock	7	Moderate	1*	-	-	6	-	1	4	1	Recommendations not yet due. *1 low recommendation was not able to be implemented by the Council currently – see audit report.
Car Parks	6	Substantial	-	-	-	6	-	-	4	2	Recommendations not yet due.
Corporate Health and Safety	4	Moderate	1	-	-	3	-	1	2	-	Recommendations not yet due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
<b>TOTALS</b>	<b>162</b>		<b>76/6 *</b>	<b>31</b>	<b>7</b>	<b>41</b>	<b>0</b>	<b>18</b>	<b>45</b>	<b>16</b>	

Key to recommendations:

✓/S	Implemented or Superseded	C	Critical priority recommendation	L	Low priority recommendation
P	Partially implemented/recommendation in progress	H	High priority recommendation		
X	Recommendation not implemented/awaiting update	M	Medium 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)



# Auditor's Annual Report for Lancaster City Council - **DRAFT**

Year-ended 31 March 2024

—

November 2025



# Contents



DRAFT

## Key Contacts

**Richard Lee**  
Director  
Richard.Lee@kpmg.co.uk

**Badar Abbas**  
Senior Manager  
Badar.abbas@kpmg.co.uk

**Anna Lord**  
Manager  
Anna.lord@kpmg.co.uk

This report is addressed to Lancaster City Council (the 'Council'). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

	Page
<b>01 Executive Summary</b>	04
<b>02 Audit of the Financial Statements</b>	06
<b>03 Value for Money</b>	10
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

**01**

# **Executive Summary**

# Executive Summary

DRAFT

## Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Lancaster City Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of the Council.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the Council's accounts on [Date]. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts. Further details are set out on page 7.  We have provided further details of the key risks we identified and our response on pages 8-9.
Narrative report	Whilst in our opinion the content of the Narrative report is consistent with the financial statements, we are unable to determine whether there are material misstatements in the Narrative report.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.  Our opinion is that we have identified two significant weakness in the Council's arrangement in relation to securing economy, efficiency, and effectiveness in the use of resources. In all other respects we found the Council's arrangement to be appropriate.  Further details are set out on pages 23-25.
Other powers	See overleaf.

In addition to the above, we respond to valid objections received from electors.



# Executive Summary

DRAFT

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts this year.**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

**02**

# **Audit of the financial statements**

# Audit of the financial statements

**DRAFT**

**Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.**

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council's financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard.

**Our disclaimer of opinion on the financial statements *[Draft subject to change]***

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date") or as soon as reasonably practicable after the Backstop Date.

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements by the publication date of the financial statements. These areas include, but were not limited to: the carrying amount of property, plant and equipment, and investment property; short term debtors; short term creditors; other services expenses; fees, charges and other service income; net income from council tax, non-domestic rates, district rate income; government grants and contributions; disclosures of related party transactions, the Housing Revenue Account and Collection Fund Statements and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 by the publication date of the financial statements. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Authority's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.



# Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<b>Valuation of land and buildings</b> <p>The Council operates a rolling five-year revaluation cycle for land and buildings, creating a risk that assets not revalued in-year may differ materially from their current value.</p> <p>For assets revalued during the year, there is an additional risk due to the significant judgement and estimation involved by the in-house valuer.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on Page 7.</p>	<p>As noted we have not undertaken a substantive response to this risk.</p>
<b>Valuation of investment property</b> <p>The council engages management experts to perform a valuation of investment property. There is a risk that these valuations are not reflective of the fair value of the property.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on Page 7.</p>	<p>As noted we have not undertaken a substantive response to this risk.</p>
<b>Management override of controls</b> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We have undertaken risk assessment and planning procedures over this risk only, in line with our disclaimed opinion, as noted on Page 7.</p>	<p>As noted we have not undertaken a substantive response to this risk.</p>

# Audit of the financial statements

DRAFT

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of post retirement benefit obligations</b></p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p>	<p>We understood the processes the Council have in place to set the assumptions used in the valuation;</p> <p>We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</p> <p>We performed inquiries of the accounting actuaries to assess the methodology and key assumptions made;</p> <p>We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</p> <p>We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</p> <p>We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</p> <p>We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;</p> <p>Considered the adequacy of the Council's disclosures in respect of the net position to these assumptions; and</p> <p>Where applicable, assessed the level of surplus or minimum funding that should be recognised by the Council.</p>	<p>We observed that there no key controls in place around the assumptions used in the valuation. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. We have also made some recommendations for management for improved and earlier engagement with the Local Government Pension Scheme (LGPS) actuary.</p> <p>We have assessed the overall assumptions used by management as optimistic relative to our central rates but within our reasonable range. We identified that CPI was optimistic but still within reasonable range. All other individual assumptions were balanced and within our reasonable range.</p> <p>We identified that the Council had not appropriately considered IFRIC 14 (which clarifies how entities should limit the amount of surplus recognised as an asset) in the current or previous year. We therefore critically challenged this position and the IAS 19 results were revised for the current and previous year. We therefore raised a current year corrected audit misstatement to cap the recognisable surplus from £47.3m to £nil; and a prior year corrected audit misstatement to cap the recognisable surplus from £33.9m to £nil.</p> <p>We identified some small inconsistencies between the Council's full pension's note and the reconciliations per the actuary's IAS 19 reporting.</p> <p>Following the Court of Appeal's dismissal of the Virgin Media appeal, we recommended that the Council makes appropriate narrative disclosure that it is currently not clear if there is any impact on the benefits in LGPS Funds, therefore it is not possible for employers to quantify the Defined Benefit Obligation (DBO) impact, if any.</p>





**03**

# **Value for Money**

# Value for Money

DRAFT

## Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**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

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	13	16	19
<b>Identified risks of significant weakness?</b>	✓ Yes	✓ Yes	✗ No
<b>Actual significant weakness identified?</b>	✓ Yes	✓ Yes	✗ No
<b>2022-23 Findings</b>	No significant weakness identified	No significant weakness identified	N/A. Not subject to review in the prior year.
<b>Direction of travel</b>	↓	↓	↔

# Value for Money

DRAFT

## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

### Housing Revenue Account (HRA)

Councils which operate a HRA are required to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

## Local context

- The Council is made up of 61 democratically elected councillors and operates within a two-tier system of local government, working alongside Lancashire County Council.
- For 2023/24, the Council recorded a final outturn deficit of £9.5m on the provision of services. The deficit was driven primarily by Environment and Place services overspend of £11.7m and Housing Revenue Account (HRA) overspend of £5.1m.
- The General Fund (GF) balance decreased by £1.3m during the year, closing at £10.3m. During the year, the Council drew down £1.4m from the GF working balance reserve. This comprised a planned drawdown of approximately £0.6m, with additional money required mainly to address costs arising from a major fire incident at the Supa Skips building in December 2023. However, GF earmarked reserves increased by £4m, rising from £13m in 22/23 to £17m in 23/24.
- HRA reserves remain at the minimum threshold of £750k. Also, the HRA earmarked reserves fell significantly, decreasing from £8.2m in 22/23 to £2.8m in 23/24.
- Total expenditure on capital schemes amounted to £14.3m, against a budget estimate of £18.6m. Delivered schemes comprised: £7.6m under the GF and £6.7m under the HRA.
- The Head of Internal Audit opinion provided ‘Moderate Assurance’ that 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 of the organisation’s objectives at risk.
- There were no adverse inspectorate findings in the year.
- We have not identified any issues arising from quality of services provided by the Council.

# Financial Sustainability

DRAFT

## How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that 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;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### Budget setting

The Council's budget-setting process begins with engagement between service accountants, budget holders, and service heads to review current and future developments and assess financial implications. These discussions identify key pressures such as staff turnover, rising demand in areas like homelessness, and underperformance against income targets. Proposals to address these issues are developed by Chief Officers and Heads of Service and reviewed by the Senior Leadership Team (SLT) to ensure alignment with strategic priorities.

The process follows a structured sequence of phases. It starts with a Baseline Reset, where budgets are returned to a base level and challenged through meetings with budget holders during September and October. This 'business as usual' position is formally reported to Cabinet and Council in December. Once established, inflation factors are applied using data from internal service requirements and external sources.

Following this, the Council seeks savings and growth proposals from budget holders, supported by detailed business cases. These proposals undergo rigorous scrutiny by SLT before being presented to Cabinet Members and discussed at wider Member briefings. In the new year, the implications of the Local Government Finance Settlement are considered and incorporated into the Medium-Term Financial Strategy (MTFS), which is formally reported in January.

The final stage involves consultation and approval. Members are engaged throughout via workshops, briefings, and committee reports, ensuring ownership and accountability. Political groups may propose alternative budgets, with final approval by full Council typically in late February. Public consultation is undertaken through the Budget and Performance Panel in January, supported by stakeholder briefings for Members, staff, partners, media, and the public. Formal reporting to Cabinet and Council is complemented by scrutiny from the Budget and Performance Panel and the Capital Assurance Group.

### Budget monitoring

The Council operates a formal quarterly reporting cycle known as Delivering Our Priorities (DoP), which provides financial information on revenue and capital expenditure for both the GF and the HRA, alongside forecasts for reserves and balances. Reports are presented in a clear and accessible format, incorporating narrative, tabular, and graphical analysis to support informed decision-making.

Budget monitoring is an integrated process involving close collaboration between service accountants, budget holders, and Chief Officers throughout the quarterly cycle. Variances of £5,000 or more at service level require detailed commentary, and corrective actions such as offsetting or virement are considered where appropriate, in line with annually reviewed virement rules. Chief Officers also meet regularly with their respective Portfolio Holders to review financial and non-financial performance, while the Finance Portfolio Holder receives weekly briefings from the Section 151 Officer on both their specific responsibilities and the Council's overall financial position.

Cabinet is briefed in advance of meetings on all reports, including DoP updates, and works with the SLT to address service-level pressures and agree significant corrective actions. Financial and non-financial scrutiny is provided by the Budget and Performance Panel, which, although not a decision-making body, can make formal recommendations to Cabinet and request attendance from Chief Officers. Overview and Scrutiny Committee also retains the ability to call in decisions and request further information on service or Council-wide issues, ensuring robust governance and accountability throughout the process.

# Financial Sustainability (Cont.)

## Budget Outturn

For 2023/24, the Council approved a General Fund revenue budget of £21m, supported by a planned contribution of £0.57m from reserves to achieve a balanced position. At year-end, while the Council delivered a balanced budget, this required a total drawdown of £1.35m from reserves. The additional £0.8m, beyond the planned contribution, was primarily attributable to costs arising from a major fire incident in December 2023, which necessitated £0.65m from unallocated reserves to fund building clearance and demolition.

We identified a financial sustainability risk arising from the Council's reliance on General Fund reserves to balance the budget. See page 21 for detailed assessment of this risk.

## Borrowing cost

We assessed the Council's borrowing costs, noting that the 23/24 ratio of financing costs to net revenue stream was 17.98%, slightly above the Lancashire benchmark of 14% but broadly in line with other councils in the region pursuing similar capital investment strategies. Borrowing considerations are embedded within the MTFs, overseen by the Capital Assurance Group, and regularly discussed at Cabinet and Council meetings. Based on the current position and governance arrangements, we do not consider this a significant financial sustainability risk at present, although future borrowing will require ongoing monitoring.

## Saving plans

The Council's Outcome-Based Resourcing (OBR) framework aims to align resources with strategic priorities and statutory functions while reducing expenditure in areas that contribute less to the Council's objectives. Savings delivery is monitored through the quarterly DoP reporting cycle, which includes analysis of approved savings and corrective actions where required. Financial and non-financial scrutiny is provided by the Budget and Performance Panel, which can make recommendations to Cabinet.

For 2023/24, Members approved savings of £2.4m as part of the budget-setting process and £2.2m of these savings were achieved at year-end.

## 2024/25 Budget

The Council set a net General Fund revenue expenditure budget of £25m, incorporating a £1.9m contribution to reserves and OBR savings proposals totalling £1.2m. In addition, the Council reaffirmed its commitment to maintaining a minimum General Fund balance of £5m.

At year-end, the Council delivered revenue expenditure in line with the approved budget, requiring a contribution of £208k from the General Fund reserve. With respect to efficiency measures, savings achieved amounted to £385k, representing 31% of the target established at the outset of the financial year.

DRAFT

Key financial and performance metrics:	2023-24	2022-23
	£'000	
GF Planned surplus/(deficit), before contribution to or from reserves	(577)	34
GF Actual surplus/(deficit), before contribution to or from reserves	(1,351)	(267)
Actual HRA surplus/(deficit)	(5,715)	(7,817)
Usable reserves	35,153	36,242
Gross debt compared to the capital financing requirement	0.58	0.60
Year-end borrowings	57,960	59,010
Year-end cash position	10,784	24,251

*HRA: Housing Revenue Account, a ring-fenced fund relating to social housing*

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*

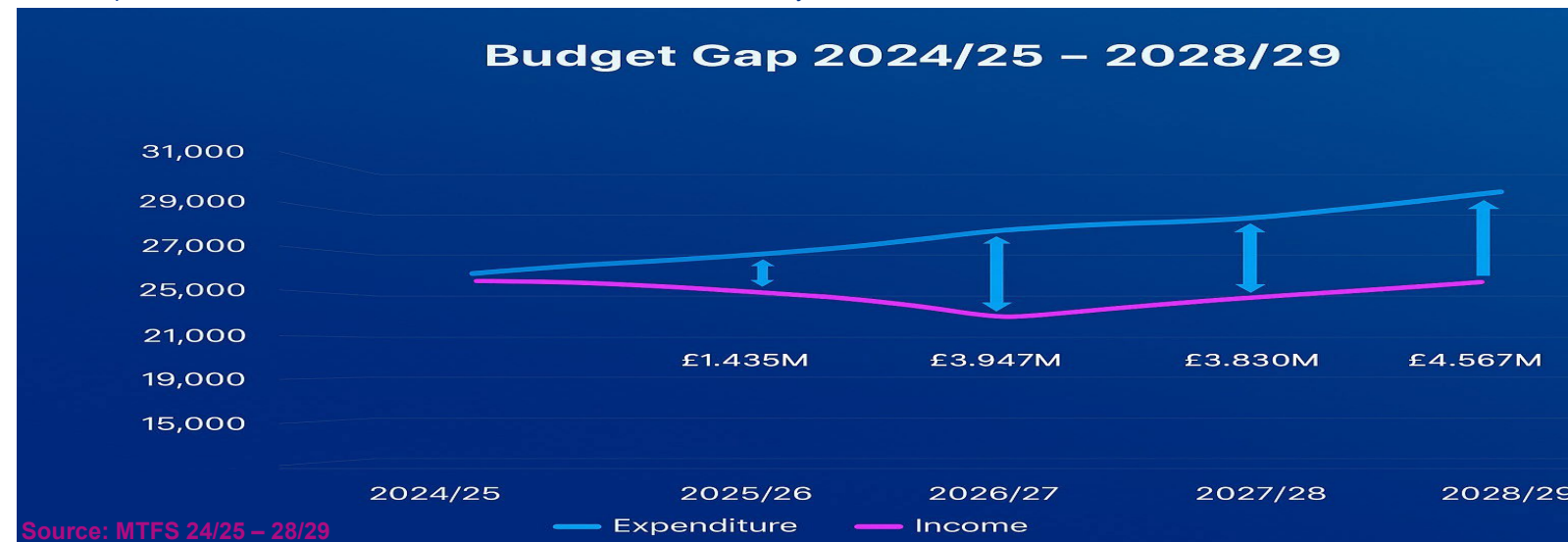
# Financial Sustainability (Cont.)

DRAFT

## Medium Term Financial Strategy (MTFS) – See Significant Risks details on pages 21-24

The Council's MTFS, agreed by the Cabinet on 13 March 2024, for 2024/25 to 2028/29 identifies a structural budget gap, with projected shortfalls of £1.4m in 2025/26, rising to £3.9m in 2026/27, £3.8m in 2027/28, and reaching £4.6m by 2028/29 - equivalent to up to 16% of the net revenue budget. These gaps are driven by ongoing pressures such as pay inflation, increased capital financing costs, and uncertainty around government funding. Continued growth in funding gaps and spending pressures are significant concerns and will require the Council to explore additional options to maintain financial sustainability.

The Council is also confronted with substantial financial risks over the short and medium term which result in the requirement to drawdown General Fund reserves to address the budget gaps and pressure on HRA reserves. Further challenges include the potential decline in business rates income, limited expansion of the council tax base, and broader economic uncertainty.



### Conclusion

Based on the procedures performed, we have identified significant weakness regarding the Council' arrangements for HRA reserves. Please refer to page 23 for further details.



## Reserves – See Significant Risks details on pages 21-24

The table below identifies the level of reserves held by the Council. Reserves show contrasting trends, with a net contribution to the General Fund but significant depletion of HRA reserves between 22/23 and 23/24.

The 23/24 budget included a planned £0.6m drawdown from General Fund reserves, highlighting some reliance on reserves for recurring costs. For HRA reserves, continued use beyond planned levels or further reductions could limit flexibility to manage unexpected pressures and deliver housing commitments under the 30-year HRA Business Plan.

Reserves	2023-24	2022-23
	£'000	
GF Reserves	10,326	11,677
Earmarked GF Reserves	17,040	13,075
<b>Total GF Reserves</b>	<b>27,366</b>	<b>24,752</b>
HRA Reserves	750	624
Earmarked HRA Reserves	2,823	8,253
<b>Total HRA Reserves</b>	<b>3,573</b>	<b>8,877</b>

# Governance

DRAFT

## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council 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 Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## Risk management

The Council's Risk Management Policy outlines a structured approach to identifying and assessing risks, incorporating techniques such as workshops, checklists, and brainstorming. Risks are identified during service planning or routine as barriers to achieve objectives and must be reported by staff to their Chief Officers/managers. Once recognised, risks are recorded in appropriate 'Risk Register' on the GRACE risk management system with a unique identifier and assigned owner, ensuring accountability and traceability. Risks are evaluated using a consistent scoring framework based on a four-point scale for likelihood and impact. The highest applicable scores determine the overall risk level, which is plotted on a matrix and categorised using a traffic light system—red for high, amber for medium, and green for low. This enables clear prioritisation and supports informed decision-making across the Council.

Mitigation actions are developed and documented within GRACE, guided by five strategic responses: avoid, accept, transfer, reduce, and exploit. Chief Officers are responsible for maintaining their service risk registers, while the Strategic Risk Register is reviewed quarterly by the SLT and Audit Committee. This process ensures ongoing oversight, facilitates challenge, and promotes continuous improvement in managing organisational risk.

## Anti-fraud Controls

The Council has established a framework for addressing fraud, bribery, and corruption, as set out in its 'Anti-Fraud, Bribery and Corruption Policy'. This framework applies to all employees, elected Members, contractors, and partners, and is supported by related governance documents and codes of conduct. The arrangements include defined roles and responsibilities for officers, Members, and service managers, as well as measures such as recruitment and procurement procedures, risk assessments, and training and awareness activities. The policy outlines processes for reporting concerns, investigating suspected cases in accordance with legal requirements, and taking action where necessary. These arrangements are subject to periodic review and updates, informed by internal audit and other sources.

The Council undertakes an annual process of reporting on counter fraud activity to the Audit Committee. The 'Annual Counter Fraud Report' is prepared by the Corporate Fraud Manager and provides information on the Council's arrangements, activities, and outcomes in relation to the prevention, detection, and investigation of fraud and related matters. The report describes the work of the Corporate Enquiry Team, partnership activities, and the operation of internal controls and risk management. This annual reporting process enables the Audit Committee to consider the effectiveness of the Council's counter fraud arrangements and to note developments and areas for further attention.



# Governance (Cont.)

DRAFT

## *Financial Plan 2023/24 and budget monitoring*

The Council's financial plan for 2023-24, as part of the MTFs, went through several levels of review prior to approval by the Council in February 2023. Financial performance, against the budget is regularly monitored as outlined in the Financial Sustainability section. As part of quarterly 'Delivering Our Priorities' Report to the Cabinet, significant variances against budget are clearly identified and explained with reference to change in position. Any mitigating actions are also identified. For 2023/24, the Council approved a General Fund balanced revenue budget of £21m, supported by a planned contribution of £0.57m from reserves. At year-end, while the Council delivered a balanced budget, this required a total drawdown of £1.35m from reserves.

## *Compliance with laws and regulations*

The Council's Monitoring Officer is responsible for monitoring compliance with all relevant/applicable legal requirements. As per the Constitution, the Monitoring Officer, after consultation with the S151 Officer, will report to the Council if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given, or would give rise, to maladministration. Such a report prevents implementation of the proposal or decision until it has been formally considered. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.

## *Standards of behaviour*

The Council's Code of Conduct defines standards for behaviour, including respect, integrity, and management of interests, while the Raising Concerns Policy sets out procedures for confidentially reporting malpractice or breaches of standards. Both policies describe processes for communication, access, escalation, and provide contact details for designated officers and external bodies. The Constitution sets requirements for managing conflicts of interest, referring to the Code of Conduct for Cabinet members and officers. If an Officer with delegated authority has a conflict, the delegation reverts to the person who made it or is otherwise managed as set out in the Code. Where all Cabinet or committee members have a conflict, dispensations may be granted by the Monitoring Officer, Standards Committee, or Chief Executive.

## *Decision making process – See Significant Risk details on page 23*

The Council's decision-making process is governed by its Constitution, which requires the Cabinet to make decisions in line with approved policies and budgets, with special notice and consultation procedures for significant executive decisions, such as those involving expenditure over £250,000. Under the Constitution, the Leader may delegate executive functions to the Cabinet, which can further delegate to Committees, individual Cabinet Members, or Officers. Current financial limits allow the Chief Executive to approve up to £200,000 and Chief Officers up to £100,000, with decisions over £50,000 requiring consultation with relevant Cabinet member.

Although these arrangements establish a structure for governance, their effectiveness relies on consistent application and strong project-level controls. Our review indicates that these principles have not been fully embedded in the Mainway Estate regeneration project, resulting in a significant value-for-money weakness (see page 23 for further details). Approved by Cabinet in February 2022, Phase 1 of the project represents a major investment intended to deliver strategic regeneration objectives. However, despite incurring £3.7m expenditure till 23/24 — comprising £2.2m in capital and £1.5m in revenue costs for site acquisition, master planning, and demolition—there remains no clear delivery plan, defined milestones, or measurable outcomes.



# Governance (Cont.)

DRAFT

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	3 (Risk Management, Procurement and Financial sustainability)	2 (Risk Management and Financial sustainability)
Head of Internal Audit Opinion	Moderate Assurance	Moderate Assurance
Local Government Ombudsman findings	Complaints upheld = 100% Satisfactory remedy provided by the organisation = 0% Compliance with Ombudsman recommendations = 100%	Complaints upheld = 50% Satisfactory remedy provided by the organisation = 0% Compliance with Ombudsman recommendations = 100%
Housing Ombudsman findings	Determinations: 2 Maladministration Rate: 100%	No report issued by the Housing Ombudsman

**Conclusion**

Based on the procedures performed, we have identified significant weaknesses regarding the Council' arrangements for key decision making and statutory financial reporting deadlines. Please refer to pages 23 and 25 for further details.

# Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

## Performance of services

The Council operates a formal quarterly reporting cycle, Delivering our Priorities (DoP), which integrates performance, project, and resource monitoring. Key performance indicators (KPIs) are developed at both corporate and service levels, with regular reporting to Chief Officers, Portfolio Holders, and Cabinet. The Project & Performance Team ensures alignment of KPIs and service plans with Council priorities, and performance information is presented in narrative, tabular, and graphical formats. Scrutiny of operational and service performance is provided by the Budget and Performance Panel and Overview and Scrutiny Committee, which can request further information, call in decisions, and require Chief Officers to attend meetings. This structured approach supports ongoing monitoring, challenge, and continuous improvement of Council services.

Based on Q2 23/24 DoP report, the Council projects a £0.611M overspend, with notable service impacts. Environment & Place faces operational strain from high sickness in waste collection and delayed fleet renewal, affecting service reliability. Housing & Property is under pressure from rising homelessness and property compliance issues, despite some vacancy-driven savings. Planning & Climate Change struggles with capacity gaps and reliance on consultants, slowing planning processes amid reduced fee income. People & Policy is undergoing major workforce restructuring, creating short-term disruption. In contrast, Communities & Leisure maintains delivery but faces income challenges at leisure facilities.

## Benchmarking

The Council benchmarks its services using data from external sources such as Association for Public Service Excellence (APSE), Local Government Association (LGA), and CIPFA, as well as through informal networks like the Lancashire Chief Finance Officers and service-specific groups. Chief Officers are responsible for benchmarking their own service costs and performance, with examples including waste collection and leisure services compared against similar authorities. The Council also engages external consultants for targeted benchmarking reviews and participates in corporate benchmarking exercises, such as LGA finance reviews and peer challenges. Benchmarking findings are considered during budget processes and service planning, with areas of higher spend or performance variance subject to further review and challenge.

The Council's benchmarking of waste and environmental services through APSE shows cost efficiency, with top-quartile performance in net investment per household (£23.99), waste disposal costs (£92.47), and fuel usage (2,046 litres), alongside high customer satisfaction (92%). However, service coverage (95%) ranks in the bottom quartile, and recycling performance lags behind peers, with lower recycling rates (47.2%), higher contamination (6.8%), and above-average landfill use (18%).

# Improving economy, efficiency and effectiveness (Cont.)

**DRAFT**

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

## Partnership

The Council actively pursues partnership initiatives with a range of organisations to enhance the quality and economy of its services. The Council works closely with anchor institutions such as local universities, NHS partners, and third-sector organisations through the Lancaster District Strategic Partnership and The Bay Anchor Network, aiming to deliver shared outcomes in areas like economic development, health, and community wellbeing. Partnerships with organisations such as Lancaster and Morecambe College support skills development and green technology training, while collaborations with the Local Government Association, voluntary groups, and community organisations help deliver projects in regeneration, culture, and public health.

The Council also engages in joint initiatives for climate action, biodiversity, and sustainable transport, working with partners like Green Rose CIC and participating in national programmes such as the UK Shared Prosperity Fund. Community engagement is further strengthened through partnerships with groups like Communities Together and the Community Safety Partnership. These collaborative efforts are designed to leverage local expertise, resources, and innovation, ensuring that services are delivered efficiently, sustainably, and in line with the needs of residents.

## Conclusion

Based on the procedures performed, we have not identified a significant weakness associated with arrangements around improving economy, efficiency and effectiveness.



# Significant Value for Money Risk

DRAFT



## 1 Drawdown of General Fund Reserves

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

#### Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund (GF) reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

### Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

### Our findings

We identified:

- In 23/24, the Council drew down £1.3m from General Fund (GF) reserves, compared to a planned drawdown of £0.6m, resulting in a variance of £0.7m. The variance was primarily driven by a major one-off incident (a fire at the former Supa Skips building in December 2023) which required additional funding of £649k after external contributions. Other minor variances included £214k for solar scheme costs. Management provided clear explanations for these variances in the budget outturn report and actively monitored overspending areas. The additional reserve use was largely exceptional, and overall, the Council did not materially deviate from its financial plan.
- Despite this variance, the Council's reserves position remains strong. At year-end, GF reserves stood at £10.3m, significantly above the minimum threshold of £5m recommended by the Section 151 Officer. In addition, the Council held £17m in GF earmarked reserves, bringing total GF reserves to £27.4m—an increase of 10% from £24.7m in 22/23. This demonstrates that the Council has maintained a healthy level of financial resilience while managing unforeseen pressures.

# Significant Value for Money Risk

DRAFT



## 1 Drawdown of General Fund Reserves (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

#### Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

### Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

### Our findings

- The Council continues to take steps to strengthen its financial sustainability. In 23/24, it delivered £2.2m of savings against a target of £2.4m and initiated Outcomes Based Resourcing (OBR), which reduced forecast budget requirements by approximately £2.7m.
- The Council has approved a Flexible Use of Capital Receipts Strategy to support revenue expenditure while maintaining long-term sustainability. The MTFS acknowledges significant future pressures and highlights the need to manage reliance on reserves to address forecast overspends.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

# Significant Value for Money Risk

DRAFT



2

## HRA Sustainability and Mainway Estate Regeneration

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

### Significant Value for Money Risk

#### Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

### Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

### Our findings

We identified:

- The Council's Housing Revenue Account (HRA) reserves have declined sharply over the past three years, with general reserves reducing from £2.5m in 2021/22 to £0.7m in 2023/24, falling below the minimum threshold. Earmarked reserves also dropped from £10.3m to £2.8m over the same period. We understand that this deterioration reflects external pressures such as rising depreciation charges linked to property values, cost-of-living impacts including energy inflation, escalating repairs costs and increased compliance expenditure to meet national requirements.
- Further strain on reserves has resulted from decisions to fund regeneration-related costs, including the Mainway Estate project, acquisition of the former Skerton School site, and buy-back of leasehold properties. These commitments have significantly reduced the financial buffer available to manage unforeseen repairs, compliance obligations, or emergency housing needs, creating a material risk to the delivery of statutory housing services and essential capital works. The current reserve position is not supported by a clear recovery strategy or stress-tested financial planning within the HRA Business Plan and MTFs as at year-end 23/24.

# Significant Value for Money Risk

DRAFT



2

## HRA Sustainability and Mainway Estate Regeneration (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

### Significant Value for Money Risk

#### Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

### Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

### Our findings

- This challenge is compounded by the Mainway Estate regeneration project, where approximately £3.7m has been spent to date on site acquisition and master planning, yet there remains no clear delivery plan, defined milestones, or robust governance arrangements. The absence of a comprehensive plan means that financial implications of redevelopment options are not understood or reflected in the HRA Business Plan, preventing the Council from aligning housing priorities with long-term financial sustainability.
- While management has begun considering measures such as revising asset valuation methodology, reassessing useful lives, reviewing loan funding arrangements, and strengthening governance for Mainway through a Cross-Party Councillor Board and pre-market engagement, these actions have commenced after the year end, remain at an early stage and as such do not reflect robust arrangements as at year-end 23/24.

#### Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability and governance.

# Significant Value for Money Risk

DRAFT



3

## Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance

### Significant Value for Money Risk

#### Background and value for money risk

The Council faced the challenge of concluding multiple years of accounts and audits simultaneously (2020/21 through 2023/24), which posed a significant risk to timely completion and the ability to meet statutory requirements. This situation also raised concerns about whether sufficient experienced resources were assigned to manage the accounts and audit process effectively.

### Our response

Through our audit we have evaluated the arrangements the Council has put in place to ensure compliance with its statutory financial reporting responsibilities.

### Our findings

We identified:

- The Government has introduced measures to address the national backlog in local government financial reporting, including amendments to the Accounts and Audit Regulations and the NAO Code of Audit Practice, allowing auditors to issue disclaimed opinions for incomplete audits up to 31 March 2023. These were required to be delivered by 13 December 2024.
- Despite these mitigations, the Council experienced delays in providing information necessary for audit completion, primarily due to the significant administrative burden of preparing multiple years' accounts and managing queries from two audit firms concurrently.
- While these operational challenges explain the delays, they highlight a significant weakness in arrangements to allocate sufficient experienced staffing and maintain robust governance over financial reporting.

#### Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to governance.



# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

DRAFT

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	<p>The Council's Housing Revenue Account (HRA) reserves have fallen significantly over the past three years, dropping below the minimum threshold and reducing financial resilience. This decline is compounded by the expenditure on the Mainway Estate regeneration project, which lacks a clear delivery plan, defined milestones, and robust governance. The absence of an integrated strategy linking regeneration plans to HRA financial planning has hindered the development of a sustainable reserve strategy and alignment with long-term housing objectives.</p> <p>Without a clear and integrated approach, the Council faces heightened financial risk within the HRA. Current reserves provide minimal flexibility to manage unforeseen repairs, compliance obligations, or emergency housing needs. Uncertainty around Mainway Estate regeneration options means financial consequences are not understood or reflected in the HRA Business Plan and MTFS, exposing the Council to escalating costs, inefficient resource use, and potential failure to deliver statutory housing services and strategic regeneration goals.</p> <p>The Council should develop a comprehensive strategy that integrates HRA financial planning with regeneration priorities. This should include:</p> <ul style="list-style-type: none"><li>• A clear delivery plan for Mainway Estate with milestones, governance, and measurable outcomes.</li><li>• Evaluation of financial implications for all redevelopment options and incorporation into the HRA Business Plan and MTFS.</li><li>• A sustainable reserve recovery strategy supported by stress-tested financial planning.</li></ul>	<p>The Council faces ongoing financial pressures within the HRA, including rising depreciation costs, inflationary impacts on repairs and compliance, capped rent increases, and regeneration commitments. These challenges mirror national trends where expenditure has exceeded income, reducing reserves.</p> <p>To maintain resilience, the s151 Officer raised the minimum HRA reserve to £0.750M in 2023. However, strategic investments—such as Mainway regeneration, Skerton School acquisition, and leasehold buybacks—have further depleted reserves. Active measures include reviewing asset valuations, funding strategies, and loan repayment options, feeding into the 2026/27 budget for a sustainable medium-term plan.</p> <p>Mainway Estate Progress: Despite inflation and funding constraints, key milestones have been achieved: site acquisition and clearance, masterplan completion, and strengthened governance through cross-council meetings, quarterly reporting, and a Cross-Party Board. Pre-market engagement is underway to secure a delivery partner. The Council remains committed to balancing financial resilience with strategic regeneration priorities.</p>
2	Other	<p>The Council faced significant challenges in meeting statutory financial reporting deadlines due to the simultaneous preparation and audit of multiple years' accounts (2020/21 to 2023/24). This indicates weaknesses in governance and resource allocation within the finance function.</p> <p>Delays in completing accounts and audits undermine compliance with statutory requirements, reduce transparency, and increase the risk of modified or disclaimed audit opinions. They also erode stakeholder confidence and expose the Council to external scrutiny.</p> <p>The Council should strengthen governance and financial reporting capacity by assigning sufficient experienced resources, implementing contingency plans for statutory deadlines, and enhancing oversight of the accounts and audit process to ensure timely compliance.</p>	<p>Delays in finalising year-end accounts reflect sector-wide issues caused by failures in the public audit regime, resulting in significant backlogs nationally. The Council has kept Audit Committee informed through regular updates since 2021. In March 2024, the Committee approved prioritising clearance of three outstanding Statements of Accounts (2020/21–2022/23) ahead of the February 2025 backstop deadline, deferring 2023/24 publication to August 2024.</p> <p>This approach ensured statutory duties for budget setting and financial planning were met while resolving historic audits. Additional staff have been recruited to strengthen resilience, and every effort will be made to meet future deadlines. However, if conflicts arise, statutory budget-setting will remain the priority over audit completion.</p>





[kpmg.com/uk](https://kpmg.com/uk)

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

**Document Classification: KPMG Public**

# Year End Report to the Audit Committee

Lancaster City Council

Year end report for the year ended 31 March 2024

---

19 November 2025

# Introduction

## To the Audit Committee of Lancaster City Council

We are pleased to have the opportunity to meet with you on 19 November 2025 to discuss the results of our audit of Lancaster City Council as at and for the year ended 31 March 2024.

This report should be read in conjunction with our audit plan, presented on 27 November 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

## The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on pages 4-5.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,



**Richard Lee**

**Director**

19 November 2025

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Contents	Page
Important notice	3
Our audit and the implications of the statutory backstop	4
Our audit findings	6
Significant risks and Other audit risks	7
Key accounting estimates	11
Other matters	12
Value for Money	13
Appendix	23

# Important notice

**This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.**

The content of this report is based solely on the procedures necessary for our audit.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Lancaster City Council (the 'Council/Authority'), prepared in accordance with [International Financial Reporting Standards ('IFRSs')] as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

This report is addressed to Lancaster City Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

# Our audit and the implications of the statutory backstop

## Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Lancaster City Council this has resulted in a disclaimed audit opinion for two financial years up to and including 2022/23.

Those same amendments to the Accounts and Audit Regulations required the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. This deadline was not achieved by Lancaster City Council.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

## Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we were not provided with information on timely basis to allow us to complete our audit and to obtain sufficient appropriate audit evidence. In our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements.

## Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

## Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 14 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.



# Our audit and the implications of the statutory backstop

## Work completed in 2023/24

Our audit plan, presented to you on 27 November 2024 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

### Significant risks

- Valuation of post retirement benefit obligations

### Other areas

- Cash, Investments, Borrowings, Staff cost

We have been unable to complete our work on the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Work associated with significant risks on:
  - Valuation of land and buildings
  - Valuation of investment property
  - Management override of controls
- Other work areas include, but were not limited to: short term debtors; short term creditors; other services expenses; fees, charges and other service income; net income from council tax, non-domestic rates, district rate income; government grants and contributions; disclosures of related party transactions, the Housing Revenue Account and Collection Fund Statements.

## Significant challenges with progressing work

Matters which led to significant challenges in performing the audit included the following:

- Delay in production of the accounts – the accounts were published in August 2024 and therefore did not meet the end of June timetable.
- During the audit, we encountered significant challenges primarily due to a lack of timely and effective engagement from management. There were substantial delays in the provision of planning and risk assessment information, which, when combined with the late production of the financial statements, created a severe knock-on effect. These delays hindered the timely completion of planning and risk assessment procedures and ultimately postponed the commencement of the final phase of the audit.
- In addition, management's responsiveness to audit queries and emails was persistently slow, further compounding the delays. Of particular concern was the provision of information required to support the Value for Money (VFM) conclusion. Despite initial requests being made in November 2023, the necessary responses and supporting evidence were not made available for auditor review until April 2025.

These deficiencies in engagement and coordination have resulted in significant delays to our work on both the financial statements and VFM assessment. More critically, they have prevented the audit team from obtaining sufficient appropriate audit evidence, leading to a disclaimer of audit opinion on the financial statements.

We are in process of considering the impact on our audit fees as a result of these challenges.

# Our audit findings

We have set out below the status of our work and key findings from the work we were able to perform before the backstop date. On page 4 we have discussed the reasons for the disclaimer audit opinion.

Significant audit risks	Page 8-10
Significant audit risks	Our findings
Valuation of land and buildings	As outlined on page 5, we were unable to complete our work on this significant risk.
Valuation of investment property	As outlined on page 5, we were unable to complete our work on this significant risk.
Management override of controls	As outlined on page 5, we were unable to complete our work on this significant risk.
Valuation of post retirement benefit obligations	We assessed the assumptions underpinning the valuation as reasonable. We identified a material misstatement in relation to the requirements of IFRIC 14 across the current and prior period. We identified misstatements in relation to the pension's detailed and narrative disclosures. We have also raised some required improvements to the pensions process.
Key accounting estimates	Page 11
Valuation of land and buildings	As outlined on page 5, we were unable to complete our work on this estimate.
Valuation of investment property	As outlined on page 5, we were unable to complete our work on this estimate.
Valuation of post retirement benefit obligations	We assessed the assumptions underpinning the valuation as optimistic relative to our central rates but within our reasonable range.

Number of Control deficiencies	Page 34-37
Significant control deficiencies	1
Other control deficiencies	6

## Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Revised disclosures review
- Technical Accounting and Audit Consultations
- Subsequent events updates
- Finalisation of VFM work
- Final quality reviews
- Draft annual report to KPMG
- Management representation letter
- Finalise audit report and sign



# Significant risks and Other audit risks

**We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.**

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Lancaster City Council operates.

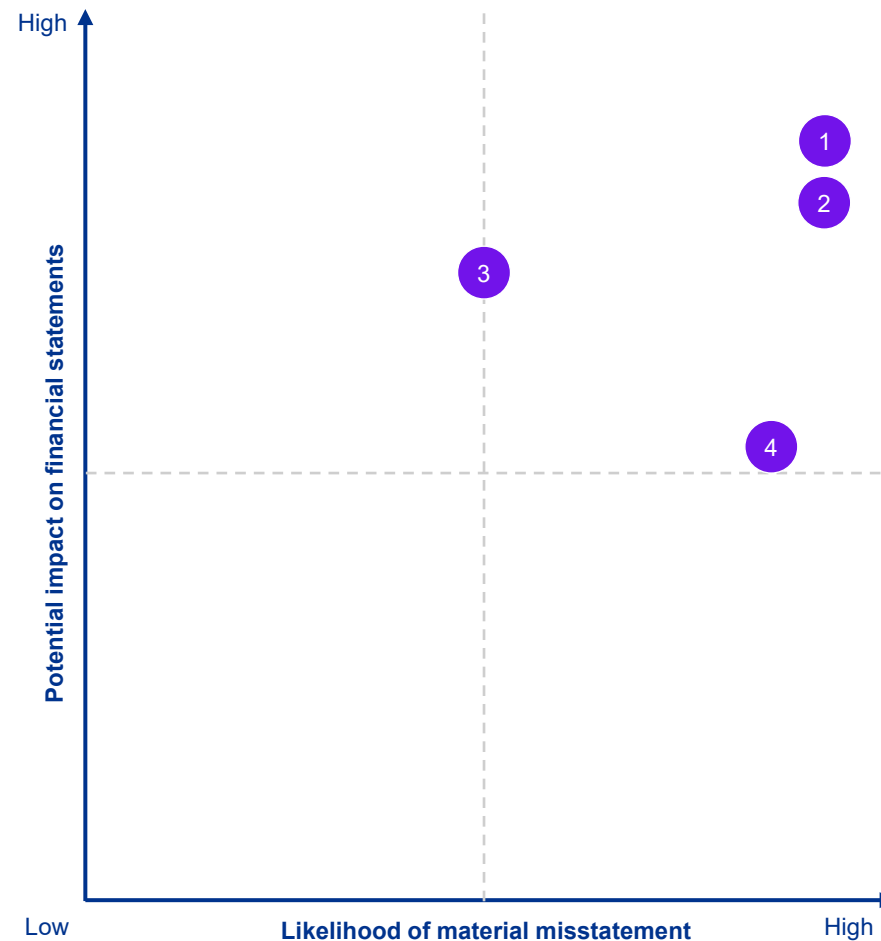
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

**In the pages overleaf we have reported the work we have completed on significant risks and other audit risks. Where work has not been completed in line with page 5 – we have not re-produced the slides that we presented in the audit plan.**

## Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations

Key: # Significant financial statement audit risks



# Audit risks and our audit approach

4

## Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



### Our response

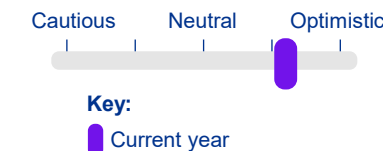
We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the net position to these assumptions; and
- Where applicable, assessed the level of surplus or minimum funding that should be recognised by the entity

# Audit risks and our audit approach (cont.)

## 4 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



### ! Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.









### Our findings

- Our assessment of the actuary found them to be independent, objective and of appropriate expertise.
- Upon review of the process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. We have also made some recommendations to management for improved and earlier engagement with the LGPS actuary.
- We have assessed the overall assumptions used by management as optimistic relative to our central rates but within our reasonable range. We identified that CPI was optimistic but still within reasonable range. All other individual assumptions were balanced and within our reasonable range.
- We identified that the Council had not appropriately considered IFRIC 14 (which provides guidance on how much of the Define benefit Asset can be recognised) in the current or previous year. We therefore critically challenged this position and the IAS 19 results were revised for the current and previous year. We therefore raised a current year corrected audit misstatement to cap the recognisable surplus from £47.3m to £nil; and a prior year corrected audit misstatement to cap the recognisable surplus from £33.9m to £nil.
- We identified some small inconsistencies between the Council's full pensions notes and the reconciliations per the actuary's IAS 19 reporting.
- Following the Court of Appeal's dismissal of the Virgin Media appeal, we recommended that the Council makes appropriate narrative disclosure that it is currently not clear if there is any impact on the benefits in LGPS Funds, therefore it is not possible for employers to quantify the DBO impact, if any.

# Audit risks and our audit approach (cont.)

## UK assumptions



Overall assessment of assumptions for audit consideration							 <i>Optimistic</i>	
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG central	Assessment	Significant assumption
Discount rate		AA yield curve		✓	4.90%	4.81%		✓
CPI inflation		Deduction to inflation curve	✓	✓	2.70%	2.85%		✓
Pension increases		In line with CPI + 0.1%	✓	✓	2.80%	2.79%		
Salary increases		Employer best estimate	✓	✓	CPI + 1.50%	In line with long-term remuneration policy		✓
Mortality	Base tables	In line with most recent Fund valuation, with adjusted scaling factors due to the adoption of updated model for mortality improvements	✓	✓	Male: 108%/113% (pensioners/non-pensioners) of the SAPS Series 3 base tables Female: 101% of the SAPS Series 3 Middle base tables	In line with best-estimate Fund experience		✓
	Future improvements	In line with most recent Fund valuation, updated to use latest available CMI model	✓	✓	CMI 2022, 1.5% long-term trend rate and default other parameters	CMI 2022, 1.25% long-term trend rate and default other parameters		✓
Other demographics		In line with most recent Fund valuation	✓	✓	In line with most recent Fund valuation	In line with Fund experience		

# Key accounting estimates and management judgements – Overview



## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
<b>LGPS gross DBO</b> Gross defined benefit obligations	<div><div>CautiousNeutralOptimistic</div><div></div></div>	193.4	3.1	<div><div>Needs improvementNeutralBest practice</div><div></div></div>	Our actuarial specialists have assessed the overall and individual assumptions used by management in valuing the pension liabilities as optimistic and within our reasonable range. No issues were noted in the judgements made in the valuation of pension liabilities.

# Other matters

## Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council.

As Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

## Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have not completed the work to consider it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

However note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

## Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Lancaster City Council, the threshold at which detailed testing is required has not been exceeded. We have not completed our work in respect of the WGA consolidation pack, until we have completed this work, we are unable to certify the we have completed the audit of the financial statements.

## Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

## Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was £161,380 plus VAT.

In addition to our core fee, additional fee variations will be requested to reflect the significant delays experienced, ISA 315R, additional work required over VFM significant risks, additional work over pensions (including prior year adjustment) and responding to elector challenge issues.

We have also completed non audit work at the Council during the year on Housing Benefits grant certification and pooling for housing capital receipts return. We have included in appendix on page 30 confirmation of safeguards that have been put in place to preserve our independence.

# Value for money

# Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

## Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified three risks of a significant weakness in the Council's arrangements to secure value for money. On the pages overleaf we have set out the risks, our response and findings.

As a result of the work we have identified two significant weaknesses.

## Performance improvement observations

As part of our work we have identified two Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. Please see details on pages 21-22.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	2 significant risks identified	1 significant weakness identified
Governance	2 significant risks identified	2 significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

We have identified recommendations to significant weaknesses on page 20.



# Significant Value for Money Risk



## Drawdown of General Fund Reserves

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

#### Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund (GF) reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

### Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

### Our findings

We identified:

- In 23/24, the Council drew down £1.3m from General Fund (GF) reserves, compared to a planned drawdown of £0.6m, resulting in a variance of £0.7m. The variance was primarily driven by a major one-off incident (a fire at the former Supa Skips building in December 2023) which required additional funding of £649k after external contributions. Other minor variances included £214k for solar scheme costs. Management provided clear explanations for these variances in the budget outturn report and actively monitored overspending areas. The additional reserve use was largely exceptional, and overall, the Council did not materially deviate from its financial plan.
- Despite this variance, the Council's reserves position remains strong. At year-end, GF reserves stood at £10.3m, significantly above the minimum threshold of £5m recommended by the Section 151 Officer. In addition, the Council held £17m in GF earmarked reserves, bringing total GF reserves to £27.4m—an increase of 10% from £24.7m in 22/23. This demonstrates that the Council has maintained a healthy level of financial resilience while managing unforeseen pressures.

# Significant Value for Money Risk



## Drawdown of General Fund Reserves (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

#### Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

### Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

### Our findings

- The Council continues to take steps to strengthen its financial sustainability. In 23/24, it delivered £2.2m of savings against a target of £2.4m and initiated Outcomes Based Resourcing (OBR), which reduced forecast budget requirements by approximately £2.7m.
- The Council has approved a Flexible Use of Capital Receipts Strategy to support revenue expenditure while maintaining long-term sustainability. The MTFS acknowledges significant future pressures and highlights the need to manage reliance on reserves to address forecast overspends.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

# Significant Value for Money Risk

2

## HRA Sustainability and Mainway Estate Regeneration

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

### Significant Value for Money Risk

#### Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

### Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

### Our findings

We identified:

- The Council's Housing Revenue Account (HRA) reserves have declined sharply over the past three years, with general reserves reducing from £2.5m in 2021/22 to £0.7m in 2023/24, falling below the minimum threshold. Earmarked reserves also dropped from £10.3m to £2.8m over the same period. We understand that this deterioration reflects external pressures such as rising depreciation charges linked to property values, cost-of-living impacts including energy inflation, escalating repairs costs and increased compliance expenditure to meet national requirements.
- Further strain on reserves has resulted from decisions to fund regeneration-related costs, including the Mainway Estate project, acquisition of the former Skerton School site, and buy-back of leasehold properties. These commitments have significantly reduced the financial buffer available to manage unforeseen repairs, compliance obligations, or emergency housing needs, creating a material risk to the delivery of statutory housing services and essential capital works. The current reserve position is not supported by a clear recovery strategy or stress-tested financial planning within the HRA Business Plan and MTFs as at year-end 23/24.

# Significant Value for Money Risk

## 2 HRA Sustainability and Mainway Estate Regeneration (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

### Significant Value for Money Risk

#### Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

### Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

### Our findings

- This challenge is compounded by the Mainway Estate regeneration project, where approximately £3.7m has been spent to date on site acquisition and master planning, yet there remains no clear delivery plan, defined milestones, or robust governance arrangements. The absence of a comprehensive plan means that financial implications of redevelopment options are not understood or reflected in the HRA Business Plan, preventing the Council from aligning housing priorities with long-term financial sustainability.
- While management has begun considering measures such as revising asset valuation methodology, reassessing useful lives, reviewing loan funding arrangements, and strengthening governance for Mainway through a Cross-Party Councillor Board and pre-market engagement, these actions have commenced after the year end, remain at an early stage and as such do not reflect robust arrangements as at year-end 23/24.

#### Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability and governance.

# Significant Value for Money Risk

3

## Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk	Our response	Our findings
<p><b>Background and value for money risk</b></p> <p>The Council faced the challenge of concluding multiple years of accounts and audits simultaneously (2020/21 through 2023/24), which posed a significant risk to timely completion and the ability to meet statutory requirements. This situation also raised concerns about whether sufficient experienced resources were assigned to manage the accounts and audit process effectively.</p>	<p>Through our audit we have evaluated the arrangements the Council has put in place to ensure compliance with its statutory financial reporting responsibilities.</p>	<p>We identified:</p> <ul style="list-style-type: none"><li>• The Government has introduced measures to address the national backlog in local government financial reporting, including amendments to the Accounts and Audit Regulations and the NAO Code of Audit Practice, allowing auditors to issue disclaimed opinions for incomplete audits up to 31 March 2023. These were required to be delivered by 13 December 2024.</li><li>• Despite these mitigations, the Council experienced delays in providing information necessary for audit completion, primarily due to the significant administrative burden of preparing multiple years' accounts and managing queries from two audit firms concurrently.</li><li>• While these operational challenges explain the delays, they highlight a significant weakness in arrangements to allocate sufficient experienced staffing and maintain robust governance over financial reporting.</li></ul> <p><b>Conclusion</b></p> <p>Based on the findings above we have determined that there is a significant weakness in arrangements relating to governance.</p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	<p>The Council's Housing Revenue Account (HRA) reserves have fallen significantly over the past three years, dropping below the minimum threshold and reducing financial resilience. This decline is compounded by the expenditure on the Mainway Estate regeneration project, which lacks a clear delivery plan, defined milestones, and robust governance. The absence of an integrated strategy linking regeneration plans to HRA financial planning has hindered the development of a sustainable reserve strategy and alignment with long-term housing objectives.</p> <p>Without a clear and integrated approach, the Council faces heightened financial risk within the HRA. Current reserves provide minimal flexibility to manage unforeseen repairs, compliance obligations, or emergency housing needs. Uncertainty around Mainway Estate regeneration options means financial consequences are not understood or reflected in the HRA Business Plan and MTFS, exposing the Council to escalating costs, inefficient resource use, and potential failure to deliver statutory housing services and strategic regeneration goals.</p> <p>The Council should develop a comprehensive strategy that integrates HRA financial planning with regeneration priorities. This should include:</p> <ul style="list-style-type: none"> <li>A clear delivery plan for Mainway Estate with milestones, governance, and measurable outcomes.</li> <li>Evaluation of financial implications for all redevelopment options and incorporation into the HRA Business Plan and MTFS.</li> <li>A sustainable reserve recovery strategy supported by stress-tested financial planning.</li> </ul>	<p>The Council faces ongoing financial pressures within the HRA, including rising depreciation costs, inflationary impacts on repairs and compliance, capped rent increases, and regeneration commitments. These challenges mirror national trends where expenditure has exceeded income, reducing reserves.</p> <p>To maintain resilience, the s151 Officer raised the minimum HRA reserve to £0.750M in 2023. However, strategic investments—such as Mainway regeneration, Skerton School acquisition, and leasehold buybacks—have further depleted reserves. Active measures include reviewing asset valuations, funding strategies, and loan repayment options, feeding into the 2026/27 budget for a sustainable medium-term plan.</p> <p>Mainway Estate Progress: Despite inflation and funding constraints, key milestones have been achieved: site acquisition and clearance, masterplan completion, and strengthened governance through cross-council meetings, quarterly reporting, and a Cross-Party Board. Pre-market engagement is underway to secure a delivery partner. The Council remains committed to balancing financial resilience with strategic regeneration priorities.</p>
2	Other	<p>The Council faced significant challenges in meeting statutory financial reporting deadlines due to the simultaneous preparation and audit of multiple years' accounts (2020/21 to 2023/24). This indicates weaknesses in governance and resource allocation within the finance function.</p> <p>Delays in completing accounts and audits undermine compliance with statutory requirements, reduce transparency, and increase the risk of modified or disclaimed audit opinions. They also erode stakeholder confidence and expose the Council to external scrutiny.</p> <p>The Council should strengthen governance and financial reporting capacity by assigning sufficient experienced resources, implementing contingency plans for statutory deadlines, and enhancing oversight of the accounts and audit process to ensure timely compliance.</p>	<p>Delays in finalising year-end accounts reflect sector-wide issues caused by failures in the public audit regime, resulting in significant backlogs nationally. The Council has kept Audit Committee informed through regular updates since 2021. In March 2024, the Committee approved prioritising clearance of three outstanding Statements of Accounts (2020/21–2022/23) ahead of the February 2025 backstop deadline, deferring 2023/24 publication to August 2024.</p> <p>This approach ensured statutory duties for budget setting and financial planning were met while resolving historic audits. Additional staff have been recruited to strengthen resilience, and every effort will be made to meet future deadlines. However, if conflicts arise, statutory budget-setting will remain the priority over audit completion.</p>

# Performance Improvement Observations

We raised the following performance improvement observations identified in our value for money procedures.

#	PIO	Domain	Management Response
1	<p>During our review, we have noted that the Council's 'Anti fraud, bribery and corruption policy' is outdated and have not been subject to review since February 2020.</p> <p>An outdated policy exposes the Council to increased risk of undetected or unaddressed fraudulent activity, bribery, or corruption. This can undermine the Council's ability to prevent, detect, and respond effectively to fraud and corruption, and may result in financial loss, reputational damage, and regulatory scrutiny.</p> <p>It is recommended that the Council undertakes a review and update of its 'Anti-fraud, bribery and corruption policy' to ensure alignment with current legal requirements, sector best practice, and the Council's risk profile. The updated policy should be clearly communicated to all staff and members, supported by regular training. Additionally, the Council should establish a schedule for periodic review of the policy to ensure it remains effective and responsive to evolving risks.</p>	Governance	<p>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."</p> <p>Council has a number of policies which fall within the Committee's remit.</p> <ol style="list-style-type: none"> <li>Anti-Fraud, Corruption and Bribery Policy,</li> <li>Money Laundering, and</li> <li>Sanctions Policy</li> </ol> <p>Each of the above policies was subject to different review frequency's and so at its meeting 19th November 2024 agreed to the s151 Officer's request to harmonise the various review dates and bring these policies annually to its March meeting.</p> <p>Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council</p> <p>Agenda for Audit Committee on Wednesday, 19th March 2025, 6.00 p.m.</p> <p>In addition to these well-established specific counter fraud policies there are a number of documents which sit alongside and support the Council's anti-fraud and corruption framework each with differing approval routes, these include.</p> <ul style="list-style-type: none"> <li>Raising Concerns Policy</li> <li>Officers and Members Codes of Conduct.</li> <li>Contract Procedure Rules</li> <li>Financial Procedure Rules</li> </ul> <p>This approach enables the Committee to have fuller oversight over all the applicable policies that form the Council's Anti-Fraud and Corruption Framework and allows Audit Committee to discharge its duty as Those Charged with Governance in a more efficient and effective manner.</p> <p>Although not reviewed within the stated timeframe the Audit Committee were made aware of the situation and the supporting rational. An Anti-Fraud, Corruption and Bribery policy was in place across the Council during the period. In 2022/23 the Council established a central record of its policies and quarterly emails are sent to the relevant Officers</p>

# Performance Improvement Observations (Continued)

#	PIO	Domain	Management Response
2	<p>During our review, we noted that the Council does not maintain a formal tender waiver register.</p> <p>The absence of a comprehensive tender waiver register limits transparency and oversight of procurement activities. This increases the risk of non-compliance with procurement regulations, potential value for money concerns, and the possibility that waivers are granted without appropriate justification or approval. It may also hinder the Council's ability to demonstrate effective governance.</p> <p>We recommend that the Council establish and maintain a central tender waiver register. This register should record all contract exceptions, including the contract value, reason for the waiver, and details of the approval process. Regular review and oversight of the register will help strengthen procurement controls, ensure compliance with internal policies and external regulations, and enhance transparency and accountability in the Council's procurement practices.</p>	Governance	<p>The Procurement Team hold copies of all completed waivers within their central files.</p> <p>However, the procurement team will establish a central waiver register and regular review, and oversight of the register will be put in place – including reporting to Senior Leadership Team (SLT) quarterly throughout the year on the register and reviews completed.</p>



# Appendices

## Contents

	Page
Local Audit – Reset and Recovery	24
Required communications	27
Fees	28
Confirmation of independence	29
Corrected audit misstatements	32
Corrected prior period audit misstatements	33
Control Deficiencies	34
ISA (UK) 240 Revised: changes embedded in our practices	38
ISA (UK) 315 Revised: changes embedded in our practices	39
ISA (UK) 600 Revised: summary of changes	40

# Local Audit - Reset and Recovery

## Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

## Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024' [Code of Audit Practice](#) that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors>

# Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

## Recovery period and audit work

The implication of receiving a disclaimed audit opinion for two financial years up to and including 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion*, was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see page 5) and this will contribute to rebuilding assurance.

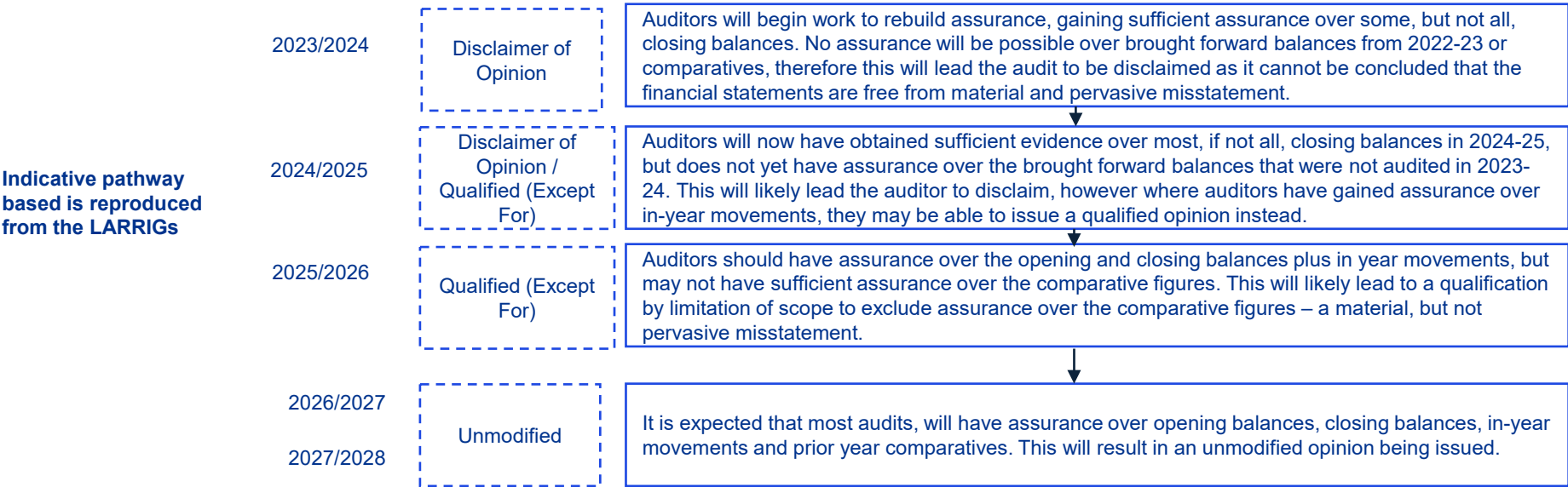
The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

# Local Audit – Reset and Recovery

## Rebuilding assurance









Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.










We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. We note the challenges identified on page 5 regarding this year’s audit. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.



# Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Response
<b>Our draft management representation letter</b>	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
<b>Adjusted audit differences</b>	 There was one adjusted audit difference with a deficit impact of £13.3 million. There was one adjusted prior period audit difference with a deficit impact of c.£34m. See pages 32-33.
<b>Unadjusted audit differences</b>	 There were no unadjusted audit differences from our audit procedures to date.
<b>Related parties</b>	 We have been unable to complete our work on related parties for the reasons on pages 4 and 5.
<b>Other matters warranting attention by the Audit Committee</b>	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	 No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
<b>Issue a report in the public interest</b>	 We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
<b>Significant difficulties</b>	 There were significant difficulties during the audit related to inability of the management to prepare accounts in timely manner and significant delays in providing the requested information and resource constraints to cater audit requests. Refer page 5 for challenges with progressing our work.
<b>Modifications to auditor's report</b>	 Our audit opinion will be disclaimed. See page 4 for further details.
<b>Disagreements with management or scope limitations</b>	 The engagement team had no disagreements with management but we did experience significant delays as set out on page 5.
<b>Other information</b>	 No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	 Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. As detailed on pages 4 and 5, there are areas over which we have not been able to complete our work.
<b>Significant matters discussed or subject to correspondence with management</b>	 There were no significant matters arising from the audit.
<b>Certify the audit as complete</b>	 We have not yet certified the audit as complete because our work on WGA is outstanding.
<b>Provide a statement to the NAO on your consolidation schedule</b>	 We will issue our report to the National Audit Office following the completion of our work.

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Description	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	161	45 <sup>(a)</sup>
ISA315r	TBC	-
Overruns and scope changes	TBC	-
<b>TOTAL</b>	<b>161</b>	<b>45</b>

## Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement).
- We will also charge additional fees for overruns and scope changes incurred during the year. We have had significant delays in receiving the information due to resource constraints and that impacted our ability to perform work as planned. We are in the process of agreeing these overruns with the management who are aware additional fee will be charged for this work.
- Additional fees have been/will be subject to the fees variation process as outlined by the PSAA.

Note: (a) Fee charged by Deloitte – your predecessor auditor.

Overrun	Description of additional work	£
Delays in the provision of information for financial statements and VFM	Significant delays by management in providing planning and risk assessment and VFM information.	TBC
Significant VFM risk	The audit team are required to do additional work when risks of significant weakness are identified. We have identified two significant weaknesses with respect to VFM arrangements related to financial sustainability and governance.	TBC
Pension misstatement	Additional work was required to establish an understanding of the pass-through arrangements at the Council and assess the impact of error identified through review of the asset ceiling.	TBC
PYA	Additional work associated with the additional reviews as a result of the prior year adjustment.	TBC
Backstop process	Additional file documentation related to ensuing compliance with LARRIGS. Consultation with DPP in respect of modified opinions.	TBC

# Confirmation of Independence

**We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.**

## To the Audit Committee members

### Assessment of our objectivity and independence as auditor of Lancaster City Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

# Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024	Value of Services Committed but not yet delivered
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£34,616	Nil
2	Pooling for housing capital receipts return	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£4,000 (TBC)	Nil



# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

## Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.2: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Scale Fee	161
Agreed fee variations	TBC
Other Assurance Services	38.6
<b>Total Fees</b>	<b>TBC</b>

## Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Richard Lee

KPMG LLP

# Corrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Impact of asset ceiling	£11,742		We identified that the surplus as at 31 March 2024 should have been restricted by additional £13,371k based on an appropriate IFRIC 14 calculation. The LGPS actuary therefore revised the IAS 19 report for the Council to adjust their FY24 figures, following adjustment of the opening balance from the FY23 figures. Please also see adjustment disclosed on page 33.
	Dr Interest on asset ceiling	£1,629		
	Cr Net funded LGPS asset		(£13,371)	
Total		£13,371	(£13,371)	

We also identified presentational audit differences which have been updated by the management - the most significant of which are:

- Defined Benefit Pension Scheme – To disclose the adjustment of asset ceiling, reconciliation of asset ceiling and correct presentation of net pension liability post asset ceiling adjustment following IFRIC14 guidance.
- Defined Benefit Pension Scheme – Disclosures added for prior-year restated financial statements and notes due to asset ceiling adjustments
- Defined Benefit Pension Scheme – Additional disclosure to highlight the impact of Virgin Media case

# Corrected prior period audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements. The adjustments below have been included in the financial statements. These adjustments have necessitated a restatement of prior period comparatives because the impact to the prior period comparatives, in our view, material to users of the accounts.

Corrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Impact of asset ceiling Cr Net funded LGPS asset	£33,941k	(£33,941k)	We identified that the surplus as at 31 March 2023 should have been restricted by £33,941k based on an appropriate IFRIC 14 calculation. The LGPS actuary therefore revised the IAS 19 report for the Council to restate their FY23 figures.
Total		£33,941k	(£33,941k)	

# Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

## Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<b>1</b>	<p><b>Critical Delays and Governance Weaknesses Impacting Audit Completion</b></p> <p>During the audit, we encountered significant challenges due to a lack of timely engagement from management. Key issues included substantial delays in providing planning and risk assessment information, persistent delays in responding to audit queries and emails, and the late production of the financial statements. These delays created a knock-on effect that hindered the completion of planning and risk assessment procedures and postponed the commencement of the final audit phase.</p> <p>Furthermore, information required to support the VFM conclusion was not provided until April 2025, despite initial requests being made in November 2023.</p> <p>Delays in management's engagement—particularly in providing planning information, responding to audit queries, and producing financial statements—significantly disrupted the audit timetable. The late provision of VFM evidence, received over a year after initial requests, meant the audit team could not obtain sufficient appropriate evidence. Consequently, a disclaimer of opinion was issued on the financial statements.</p> <p>The Council should implement a structured audit readiness plan with clear timelines, designated responsible officers, and escalation procedures. Management should improve responsiveness by assigning a dedicated audit liaison and providing regular updates to senior leadership and the Audit Committee. Early preparation of VFM evidence is essential to avoid delays and ensure compliance with statutory reporting requirements.</p>	<p>The specific challenges the Council has faced are well documented and the s151 Officer has presented a Statement of Accounts Update at each Audit Committee meeting since November 2021.</p> <p>At its meeting 20th March 2024 the Audit Committee endorsed the s151 Officers proposal to delay publication of the 2023/24 Statement of Accounts until August 2024 so that the priority would be to focus on concluding the outstanding statements ahead of the February 2025 deadline.</p> <p><a href="#">Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council</a></p> <p>The s151 Officers prioritisation of these accounts rather than 2023/24 audit allowed the Finance Team the space required to address and successfully clear the 3 years of outstanding Statement of Accounts (2020/21, 2021/22 and 2022/23) whilst fulfilling its statutory duties around revenue and capital budget setting, medium term financial planning, council tax setting etc. These are substantial pieces of work starting mid-October and concluding February each year. which conflicted with the audit backstop deadline 25th February 2025.</p> <p>The Finance Team have recently recruited and increased resilience across key areas and so going forward every effort will be made to ensure that the audits are concluded in a timely manner.</p> <p>However, should similar timing conflicts arise given and the repercussions of failing to set its budget or levy council tax the s151 Officer will always recommend the prioritisation of these over the audit of the Council's financial statements.</p>

# Control Deficiencies *(Cont.)*

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p><b>Inappropriate valuation date for land and buildings and investment properties</b></p> <p>Based on our review of the valuation process for land and buildings and investment properties, we identified that assets subject to revaluation during the year are valued as at the first day of the financial year (1 April), rather than at the balance sheet date (31 March). There was no evidence provided to demonstrate that the valuations were subsequently updated or reviewed to reflect any material changes in value as at year-end. This approach does not align with the requirements of the CIPFA Code of Practice, which requires that valuations reflect the carrying or fair value of assets as at the balance sheet date.</p> <p>Valuing assets at the start of the financial year without updating or assessing for material changes at year-end increases the risk that the carrying value of PPE and investment properties in the financial statements may be materially misstated. This could result in non-compliance with the CIPFA Code requirements and material misstatements in the financial statements.</p> <p>We recommend that management engage the valuer to perform valuations as at the balance sheet date. This will help ensure that asset valuations are materially accurate and compliant with the applicable financial reporting framework.</p>	<p>CIPFA's Statement of Recommend Practice does not specify the 31<sup>st</sup> March as a valuation date.</p> <p>Whilst there is a risk that valuations may have materially changed between the 1<sup>st</sup> April and 31<sup>st</sup> March the Council does undertake desktop reviews of its significant assets which fall outside of its 3 year cycle. Officers will explore applying the 31<sup>st</sup> March with the valuer as a valuation date from 31<sup>st</sup> March 2026. However, it must be noted that this could affect in-year revaluations (such as HRA quinquennial review).</p>
3	2	<p><b>Management review of actuarial assumptions</b></p> <p>Based on our walkthrough of the pension assumption review process, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions.</p> <p>Management have stated that they do review the output of the actuary, however there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>The accounting of defined benefit liabilities is complex and small changes in pension assumptions are likely to have a material impact in the financial statements, so the likelihood that a material misstatement could occur is high.</p> <p>Considering this is a significant audit risk area, we would recommend that management formalise its process around review of actuarial assumption. This should include developing objective criteria against which the review can be performed. Evidence should be retained to demonstrate the review has taken place.</p>	<p>The Pension Fund engage Mercers Actuarial Services to undertake the various pensions valuations and provide details of a number of areas such as asset/ liability details, past and current cost.</p> <p>Mercers are suitably independent and quailed to undertake this work and so whilst management can undertake rudimentary review the level of detail and the benefit of such a review will be limited.</p>

# Control Deficiencies *(Cont.)*

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	2	<p><b>Pension Scheme Valuation Process</b></p> <p>The valuation process does not consistently incorporate early and proactive engagement with the LGPS actuary. This gap increases the likelihood of challenges in meeting the technical requirements of relevant accounting standards, particularly IFRIC 14, which continues to be a critical area of regulatory focus.</p> <p>The absence of early and proactive engagement with the LGPS actuary increases the risk of material misstatement in the financial statements. This risk is particularly significant in relation to IFRIC 14 adjustments, which previously resulted in a restatement of the 22/23 financial year accounts. Without strengthened processes, there remains a possibility that similar issues could recur, leading to compliance breaches and potential delays in financial reporting.</p> <p>Management should adopt a more proactive and structured approach to the valuation of the defined benefit pension scheme by engaging with the LGPS actuary earlier in the reporting cycle. This will allow sufficient time to address complex issues and ensure compliance with applicable accounting standards.</p>	<p>The Council's officers requested guidance on interpretation of presentation of the pension asset in 2022/23. Unfortunately, given the situation within the audit regime this guidance was not provided.</p> <p>It was only until the 2023/24 audit that clarification was provided by our current auditors, resulting in the restatement of 2022/23, presented within these Statement of Accounts.</p> <p>Although the creation of a pension asset is new, the accounting requirements via the asset ceiling are now established and should not pose an issue going forward. Should there be any significant change to Pensions Accounting we will engage with our auditors as and when required.</p>
5	2	<p><b>Journals Segregation of Duties (SoD) control</b></p> <p>Based on walkthrough procedures performed, we have noted that journal posting controls were relaxed following the pandemic to improve operational efficiency. Consequently, certain members of the Finance Team who regularly post journals are no longer required to obtain prior authorisation before posting entries to the general ledger. This change has effectively removed segregation of duties for these individuals, creating a significant control gap.</p> <p>The absence of segregation of duties increases the risk that fraudulent or erroneous journals could be posted without detection. This vulnerability could result in material misstatements within the financial statements, compromising the accuracy and reliability of financial reporting.</p> <p>Management should reinstate robust system-based segregation of duties within the journal posting process, retaining evidence of independent review. Specifically, individuals responsible for preparing and posting journals should not have sole authority to post entries without independent review and approval.</p>	<p>This issue has been noted in previous audits and although significant compensatory controls exist to prevent misstatement the facility within CIVICA has been removed and all journals require authorisation.</p>

# Control Deficiencies (Cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
6	3	<p><b>Payroll Reconciliation</b></p> <p>During our review of the payroll reconciliation process, we noted that while reconciliations were consistently prepared and signed off as completed, there was no evidence of timely review and approval by an independent reviewer. In at least one instance, the reconciliation was only reviewed several months after the period end, indicating that the control was not operating effectively within an appropriate timeframe.</p> <p>The lack of timely review and approval of payroll reconciliations undermines the effectiveness of this key control. Without prompt oversight, there is an increased risk that errors, omissions, or irregularities in payroll processing may go undetected, potentially leading to financial misstatements or non-compliance with internal control requirements.</p> <p>We recommend that management formalise the payroll reconciliation process by ensuring that all reconciliations are not only prepared but also reviewed and approved in a timely manner. This should include clearly defined timelines for review, documented evidence of approval (including date and reviewer identity), and periodic monitoring to ensure compliance with internal control expectations.</p>	<p>The formal review of all month end reconciliation including payroll is undertaken with 10 working days of month end and documented as appropriate.</p>
7	3	<p><b>Counter-fraud Sanction policy</b></p> <p>The Counter Fraud Sanction Policy is dated February 2023 and states that it is subject to annual review. However, the scheduled review due in February 2024 had not been carried out at the time of our audit. There was no evidence of an updated version or documented rationale for the delay in the review process.</p> <p>Failure to review and update key governance policies in line with stated timelines may result in outdated procedures that do not reflect current regulatory requirements, organisational changes, or emerging fraud risks. This could weaken the organisation's fraud response framework and reduce the effectiveness of its deterrence and enforcement mechanisms.</p> <p>Management should ensure that all policies, particularly those related to fraud prevention and enforcement, are reviewed in accordance with their stated review cycles. A centralised policy management process should be implemented to monitor review dates, assign responsibilities, and ensure timely updates. Where delays are unavoidable, a documented justification and revised timeline should be maintained.</p>	<p>Council has a number of policies which fall within the Committee's remit.</p> <p>(a) Anti-Fraud, Corruption and Bribery Policy (b) Money Laundering, and (c) Sanctions Policy</p> <p>Each of the above policies was subject to different review frequency's and so at its meeting 19th November 2024 agreed to the s151 Officer's request to harmonise the various review dates and bring these policies annually to its March meeting.</p> <p>In addition to these well-established specific counter fraud policies there are a number of documents which sit alongside and support the Council's anti-fraud and corruption framework each with differing approval routes, these include: (1) Raising Concerns Policy (2) Officers and Members Codes of Conduct (3) Contract Procedure Rules (4) Financial Procedure Rules</p> <p>This approach enables the Committee to have fuller oversight over all the applicable policies that form the Council's Anti-Fraud and Corruption Framework and allows Audit Committee to discharge its duty as Those Charged with Governance in a more efficient and effective manner.</p> <p>Although not reviewed within the stated timeframe the Audit Committee were made aware of the situation and the supporting rational. An Anti-Fraud, Corruption and Bribery and Sanction policy was in place across the Council during the period. In 2022/23 the Council established a central record of its policies and quarterly emails are sent to the relevant Officers</p>

# ISA (UK) 240 Revised: changes embedded in our practices

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

## Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

We considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.



# ISA (UK) 315 Revised: changes embedded in our practices

## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### **What impact did the revision have on audited entities?**

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### **Implementing year 1 findings into the subsequent audit plan**

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### **What will this mean for our on-going audits?**

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

# ISA (UK) 600 Revised: Summary of changes



## Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquiries of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	



[kpmg.com/uk](https://kpmg.com/uk)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

**Document Classification: KPMG Public**

CREATE: CRT157310A

**AUDIT COMMITTEE****Update and amendments to the Council's Contract  
Procedure Rules  
19<sup>th</sup> November 2025****Report of the Monitoring Officer****PURPOSE OF REPORT**

This report seeks approval of amendments to the Contract Procedure Rules

**This report is public**

**RECOMMENDATIONS**

**The Audit Committee is recommended to:**

- (1) Approve the proposed changes to the Contract Procedure Rules.

**1.0 Introduction**

- 1.1 The Contract Procedure Rules (CPRs) are set out in Part 3 of the Council's Constitution and must be regularly reviewed and updated as part of the Council's governance process. This contributes to the Council's system of effective internal control.
- 1.2 The CPRs are intended to promote good procurement practice, public accountability and to deter corruption.
- 1.3 The proposed amendments reflect a proportionate approach to the Council's social value requirements for procurements and will allow officers to utilise frameworks for all procurements if appropriate.
- 1.4 The proposed amendments to the CPRs are set out in tracked changes at Appendix 1

**2.0 Proposal**

- 2.1 Presently all tenders for contracts which are valued over £100k have to include social value as one of their evaluation criteria.
- 2.2 When assessing social value through the Social Value Portal, regard is had to what social value outcomes can be achieved during the length that the contract will be in place.
- 2.3 If a contract has a short lifespan eg: a one off supply of goods, construction works for a few weeks/ couple of months or delivery of consultancy services

for a few months then either no (or exceptionally limited) social value outcomes will be generated during that contract.

- 2.4 The Council still however ask bidders to make a submission on the Social Value Portal for their (lack of) potential outcomes to be assessed.
- 2.5 Social Value commitments are assessed with regard to quarterly reporting from suppliers but the Council is still asking suppliers to make a submission as part of a tender bid even though the contract is going to be of a length which won't even reach the first quarter.
- 2.6 This therefore appears to be an unnecessary exercise on short term contracts of any value and likely to put off SMEs who would otherwise want to bid for those contracts.
- 2.7 During a recent meeting between officers and the Social Value Portal, the Social Value Portal stated that, for other public bodies, they had limited the requirement for carrying out social value assessments to those contracts which have a duration of over 12 months.
- 2.8 Officers are of the opinion that adopting this approach would seem the most proportionate way to achieve social value through the most appropriate tenders and also address a way of removing a barrier to tendering by SMEs who already have limited resources to put towards the tendering process.
- 2.9 In addition the CPR's are to be amended to make it clear that use of frameworks are also permissible for higher value tenders.

### 3.0 Details of Consultation

- 3.1 The proposed changes have been recommended by the Social Value Portal are supported by procurement.

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

	Option 1: Update the CPRs	Option 2: Do not update the CPRs
Advantages	Removes barriers to tendering from SME's Promotes good governance	None
Disadvantages	None	Could be a barrier to SME's due to administrative burden
Risks	None	Not attracting SME's to tender for works

## 5.0 Officer Preferred Option (and comments)

5.1 Option 1 is preferred for the reasons outlined in the report.

## 6.0 Conclusion

6.1 The effect of these changes will be to reduce the burden on bidders and social value will continue to be assessed on those contracts which have a duration of more than 12 months (where it is appropriate to monitor outcomes).

6.2 It is still compliant with the National Procurement Policy Note on Social Value (which local authorities must have regard to) as the Council will still have to apply social value outputs to those contracts which are above threshold but it gives officers the discretion to decide whether it is appropriate on procurements which are less than 12 months in duration and/or below threshold.

### RELATIONSHIP TO POLICY FRAMEWORK

Principle - An Inclusive and Prosperous Local Economy

Theme – Community Wealth Building & Deliver Effective Services

2.1 – social use of resources – Using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and anchor institutions to do the same.

### CONCLUSION OF IMPACT ASSESSMENT

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

N/A

### LEGAL IMPLICATIONS

The Procurement Act 2023 went live on 24 February 2025 and the Procurement Regulations 2024 as well as the National Procurement Policy Statement which was published in February 2025.

The Procurement Act introduces enhanced transparency requirements and focuses on the lifecycle of the procurement from procurement planning and market engagement right through to contract performance, modification and termination.

Contracting Authorities, for example Lancaster City Council, **must have regard** to the National Procurement Policy Statement (NPPS) in the exercise of their procurement functions, this requirement is set out in the Procurement Act 2023.

The NPPS sets out that public procurement can support delivery of the Government's missions to (amongst other things):

- Kickstart economic growth (for example through opportunities for small businesses and social enterprises, encouraging innovation and development of new technologies)

- Break down barriers to opportunity (for example by addressing skills gaps and training, removing barriers for young people and underrepresented groups)

The Council must have regard to the importance of delivering value for money. Examples include driving economic growth and strengthening supply chains by giving SMEs and VSCES a fair chance, delivering social and economic value that supports the Government's mission.

The NPPS sets out that contracting authorities should (amongst other things):

- Maximise procurement spend with small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs).
- Secure social and economic value which supports delivery of the national missions taking into account priorities in local and regional economic growth plans (where available) and working in partnership with other contracting authorities, the private sector and civil society in the exercise of their procurement functions.
- Apply commercial best practice including the principles and policies in the Government's Playbook series (where appropriate) and make decisions based on value for money and service quality when assessing delivery models and outsourcing decisions.

The amendment to the Contract Procedure Rules reflects a consideration of the Council's social value ambitions, regard to the Government missions as set out in the NPPS and the balance between achieving meaningful social value with encouraging the local market enterprises to work with the Council and maximise procurement spends with SMEs and VCSEs.

#### **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

#### **OTHER RESOURCE IMPLICATIONS**

None directly from this report

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

The s151 Officer has been consulted and has no further comments to add.

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

This report is in the name of the Monitoring Officer who will amend the Constitution if the updated CPR's are approved.

#### **BACKGROUND PAPERS Appendices attached to the report:**

- **Appendix 1: Contract Procedure Rules – Revised Version Tracked Changes with proposed amendments**

**Contact Officer:** Sally Lowton  
**Telephone:** 01524 582 151  
**E-mail:** slowton@lancaster.gov.uk

# CONTRACT PROCEDURE RULES

## Introduction

These Contract Procedure Rules (CPRs) are intended to promote good procurement practice, public accountability and to deter corruption. The CPRs are mandatory for all Officers. Following them is the best defence against allegations that a purchase has been made unfairly, incorrectly or fraudulently. Officers responsible for purchasing must comply with these CPRs. They lay down minimum requirements. These CPRs have been written to allow social value, community wealth-building and environmental benefits to be included in procurement decisions.

Social Value for the purpose of these CPRs is taken to include Community Wealth-Building, Environmental and Economic benefits.

At the time of formal adoption of these CPRs the implementation of the Procurement Act 2023 (PA 2023) is expected to commence on 24 February 2025 and apply to new procurement processes commenced from that date and therefore the CPRs have been drafted on the basis of the PA 2023.

Further advice on the CPRs can be sought by contacting procurement in the first instance.

All procurement approaches, whether established and traditional or modern and innovative must comply with all elements of these CPRs.

All values referred to in these CPRs **are exclusive of VAT** unless expressed otherwise. However, all procurement Thresholds published by Government to trigger compliance with the PA 2023 are inclusive of VAT.

If you require support from procurement, please contact the procurement team at: [procurement@lancaster.gov.uk](mailto:procurement@lancaster.gov.uk)



**Section 1: Scope of the Contract Procedure Rules****DEFINITION OF TERMS**

In the CPRs, unless the context otherwise demands, the following terms have the meaning assigned to them:

**“Basic Principles”**- Rule 1 of the Contract Procedure Rules;

**“Non-Covered Council Contract”** are those Council Contracts to which Procurement Legislation do not apply to and include:

- Contracts of employment which make an individual a direct employee of the Council
- Grants – see Rule 3
- Fines, Payment of taxes and other financial services
- Agreements regarding the acquisition, disposal, or transfer of land or property (for which Financial Regulations shall apply)
- Delivery of works and services by an in-house provider (the Council or other public authority exercises majority control and there is no private investment),
- Contracts between the Council and other contracting authorities
- Contracts for the provision of any product or service that has been manufactured or delivered by an illegal means
- Instruction of the procurement team such as with legal counsels/barristers
- Any other exempted contracts as listed in Schedule 2 of the PA 2023

**Non-Covered Council Contracts** to be interpreted accordingly;

**“Procurement Legislation”**- (i) the Public Contracts Regulations 2015 as amended (PCR 2015) until such date that it is repealed and superseded by the Procurement Act 2023 (PA 2023) ii) The Procurement Regulations 2024 and any regulations made pursuant to the PA 2023 (by a Minister of the Crown) when they come into effect; iii) insofar that it may apply to the relevant public contract, the Health Care Services (Provider Selection Regime) Regulations 2023 (PSR), and the relevant statutory guidance issued in relation to it; (iv) the Public Services (Social Value) Act 2012 and (v) relevant procurement regulations and any subsequent amendments to, or replacements of, them in relation to UK procurement legislation;

**“Relevant Contract”** – a public contract which must follow the relevant rules under the CPRs and is not a Non-Covered Council Contract:

- (a) Relevant Above-Threshold Contract, and
- (b) Relevant Below-Threshold Contract

**“Relevant Above-Threshold Contract”** is a public contract for which a procurement process is being undertaken within the scope of the PA 2023 and its regulations, for arrangements which are over the relevant Threshold and cover (including but not limited to):

- (i) The supply of goods
- (ii) The delivery of services or works
- (iii) The hire, rental or lease of goods or equipment
- (iv) Concession contracts for the supply of services and works

- (v) Contracts or agreements where the provider is employed on a no win/no fee basis;
  - (vi) Light-touch services
  - (vii) Framework agreements or dynamic markets
- and is not a Non-Covered Council Contract

**“Relevant Below-Threshold Contract”** - Any other Council contract which is

- Below-Threshold that is subject to partial application of Procurement Legislation
- above £30,000 (inclusive of VAT) for a tender notice and
- is not a Non-Covered Council Contract, an exempted, a concession or utilities contract.

**“Threshold”**- the applicable procurement public contract financial value at which a public contract becomes subject to the relevant Procurement Legislation.

## 1.0 Basic Principles

1.1 All purchasing procedures in scope of the PA 2023 must:

- have regard to the following procurement objectives:
  - Delivering value for money,
  - Maximising public benefit,
  - Transparency, and
  - Acting, and being seen to act, with integrity.
- Comply with Procurement Legislation and all UK procurement legal requirements
- Have regard to the National Procurement Policy Statement when it is published and as updated
- Comply with the Council's Codes of Practice and the Council's aims and policies
- Seek to incorporate and ensure the delivery of social value, community wealth-building and environmental benefits
- Identify and manage conflicts of interest throughout the process
- Have appropriate performance management measures in all Relevant Above-Threshold Contracts
- Treat suppliers the same unless different treatment is justified (and where different treatment is justified, the reasoning for this must be documented)
- Have regard to small and medium sized enterprises, the barriers they may face and how to reduce those barriers

## 2.0 Officer Responsibilities

2.1 Officers responsible for purchasing must comply with these CPRs, the Council's Financial Regulations, the Staff Code of Conduct, the Council's Anti-Bribery policy, arrangements for declaring conflicts of interest and Council's Scheme of Delegation and with Procurement Legislation. Officers must ensure that any agents, employees, consultants and contractual partners acting on their behalf also comply and they may be required to enter into a signed agreement to that effect.

2.2. Officers must:

- Plan, define, procure and manage the procurement process in line with updated UK guidance published for Procurement Legislation

- Have proper regard for all necessary legal, financial, technical and professional advice to ensure that contracts are legally, financially and technically capable of delivery to the Council Conduct any relevant value for money review
- Ensure that there is adequate budget provision for the procurement being undertaken (including any extensions and options)
- Take into account all relevant procurement notices which must be published for a procurement process and current contract (in accordance with the applicable Procurement Legislation) and seek advice from the Council's procurement team for any procurement concerns
- Undertake due diligence before any procurement process or contract commences, including reviewing the debarment lists before undertaking market engagement with suppliers and after submission of bids for suppliers, and if applicable their parent company and associated companies (or connected persons) and their proposed sub-contractors. Due diligence should also be carried out during the contract term, yearly checks must be undertaken including for updated insurances, and review of the debarment list for current suppliers (and any of their associated persons) published under Procurement Legislation
- Ensure the Basic Principles are complied with for all Relevant Contracts.
- Declare all conflicts of interest including any personal financial interest in relation to any current procurement process which they may be directly involved with and take appropriate measures to effectively prevent, identify and remedy conflicts of interest arising in the conduct of procurement processes and manage those conflicts of interest throughout the procurement process from the planning stage to the end of the relevant contract's term (see Rule 23)
- Not engage in any fraud, bribery or corruption. Corruption is a criminal offence
- Report any offers of bribes or inducements (see Rule 22)
- Check whether there is an existing contract that can be used before undergoing a competitive process subject to procurement implications
- Allow sufficient time for the submission of bids
- Keep all supplier bids secure and confidential
- Keep written records of all dealings with bidders/suppliers. The project manager should ensure the safe keeping of contract documentation in line with the Council's document retention policy.
- Obtain all required approvals and complete a written contract (and sealed, as required) before placing an order or raising a purchase order for any supplies, services or works
- Not award a contract until the standstill period is over (where applicable)
- Enter all purchase order information onto the Oracle financial system
- Based on the Scheme of Delegation, identify a senior manager who is the designated contract owner responsible for the relationship with the supplier. In addition, a contract manager with responsibility for day to day issues and ensuring the contract delivers as intended may also be appointed

2.2 When any employee either of the Council or of a service provider/supplier which may be affected by any transfer arrangement in relation to a change of provider following a procurement process, Officers must ensure that the Transfer of Undertaking (Protection of Employment - TUPE) issues are considered.

2.3 Unless otherwise delegated, Chief Officers should:

- Keep records of all purchases and contracts valued below £100,000
- Ensure that all signed and sealed contracts valued at £100,000 and greater are scanned and entered onto the Contract Register
- Ensure that all Waivers are recorded under Rule 17.0

### **3.0 Grants**

- 3.1 For the purposes of these CPRs, a grant refers to grant-in-aid and is the provision of funding to cover, in whole or, more likely, in part, the running costs of an organisation whose work complements that of the Council. The recipient will have discretion over the spending of that funding within the general framework of controls agreed between the Council and the recipient of the grant.
- 3.2 The terms of a grant are likely to require the other organisation to use the money only for a particular project or service and might require the recipient to pay back the grant, or part of it, in some circumstances. The Council would still, of course, monitor the achievement of the proposed outcomes and any giving of a grant should be subject of a formal contract.
- 3.3 The Council should determine on a case by case basis whether funding is to be considered as a grant or a Relevant Contract by reference to the decision making tool published by the National Audit Office at <http://www.nao.org.uk/decision-support-toolkit/>. A Relevant Contract is any arrangement made by, or on behalf of the Council the carrying out of works or for the supply of goods, materials or services.

### **4.0 Collaboration**

- 4.1 In order to secure value for money, the Council may enter into a procurement arrangement with a Central Purchasing Body (CPB). The terms and conditions of the CPB must be fully complied with, including any requirement to undertake competition between providers. In order to secure value for money, the Council may enter into collaborative procurement arrangements with another local authority, government department, integrated care board, statutory undertaker or other contracting authority.
- 4.2 In some areas, the Council may enter into a collaborative service delivery arrangement with one or more other 'partner' organisations (whether local authorities, other public bodies or private sector organisations). In such circumstances, the council may wish to take advantage of a partner's procurement arrangements, expertise and agreements (e.g. frameworks).

### **5.0 Relevant Contracts**

- 5.1 All Relevant Contracts must comply with these CPRs. Procurement Legislation and these CPRs do not apply to Non-Covered Council Contracts. Please see Definitions section (at the beginning of the CPRs) for the description of Non-Covered Council Contract.
- 5.2 Relevant Below-Threshold Contracts require certain notices to be published:
  - a) below threshold tender notice (s87 (1) PA 2023)
  - b) below threshold contract details notice – (s87 (3) PA 2023)
- 5.3 Officers procuring Relevant Below-Threshold Contracts have a duty to consider small and medium-sized enterprises
- 5.4 Officers cannot restrict Relevant Below-Threshold Contracts by requiring an assessment of a supplier's suitability to perform it (as in a pre -selection stage) unless it is in relation to a works contract over £213,477 (inclusive of VAT).

**Section 2: Common Requirements****6.0 Steps Prior to Purchase**

- 6.1 Officers should take the following steps before beginning a procurement exercise:
- Review all Relevant Contracts to determine when a procurement should be undertaken. If there is contract then determine the service, product or works output taking into account the requirements from any relevant value for money review and the Council's commissioning outcomes
  - Appraise the need for the expenditure and its priority for the Council including whether the value crosses the Threshold
  - Define the objectives of the purchase
  - Assess the risks associated with the purchase and how to manage them
  - Review the Council's process and procedures on pre-market engagement to determine if this is required.
  - Officers involved in any part of the design of the procurement, decisions in respect of the procurement and evaluation of tenders must complete the declarations of interest form prior to their involvement and prior to the start of the evaluation process
  - Determine the terms and conditions of contract and ensure there will be provision for determining contract performance
- 6.2 Officers should also consider what procurement method is most likely to achieve the purchasing objectives, including packaging strategies, internal or external sourcing, shared services, concession arrangements, partnering arrangements and collaborative procurement arrangements with other local authorities and government departments. Officers should also consider working with NHS Lancashire and South Cumbria Integrated Care Board, statutory undertakers and Central Purchasing Bodies.
- 6.3 Officers should ensure that all procurements including method, contract standards and performance and user satisfaction monitoring and including any collaborative arrangements, are carried out using the Council's principles of co-production and co-delivery. Officers should also use the Council's standard terms and conditions of contract where possible.
- 6.4 The officer must confirm that they have the authority to spend, have obtained the required approval(s) for the expenditure and the purchase accords with the Scheme of Delegation. If the purchase is valued at £250,000 and greater, an entry onto the Council's List of Forthcoming Key Decisions has been made. If the purchase is valued at £50,000 and greater, the relevant Cabinet Member has been consulted.

**7.0 Procurement Records**

- 7.1 Where the total value is less than £100,000, the relevant officer must ensure that the following records are kept:
- Invitations to quote and quotations or whether invited particular or pre-selected suppliers
  - A record of any waivers to the procurement process and the reasons for them
  - Written records of communications with the successful contractor or an electronic record if a written record of the transaction would normally not be produced
  - Copies of the quotes received must be appended to the relevant requisition
- 7.2 Where the total value exceeds £100,000, the relevant Chief Officer must ensure that the following records are kept:
- The method for obtaining bids
  - The calculation of the estimated value

- The reason/reasons which sufficiently explain/explains any material decisions relating to the award of a public contract (including reasons for not using lots) such as excluding suppliers, assessment of tenders and decisions to award
- Any waiver under Rule 17 together with the reasons for it
- The award criteria in descending order of importance
- Tender documents sent to and received from tenderers
- Pre-tender research, benchmarking and consultation information
- All tender evaluation documentation. To include the scoring assessment sheet for each of the tender evaluators. Any post-tender clarification information, to include minutes of meetings
- The contract documents
- Contract due diligence checks, implementation and evaluation plan and any monitoring and management information
- Communications with all tenderers throughout the tendering exercise and with the successful supplier(s) throughout the period of the contract
- Record of Social Value offering that is to be measured and delivered throughout the contract and
- Any other records which may be required by the National Procurement Policy Statement

7.3 All contracts must be entered onto the Council's Contract Register held on the supplier portal. The manager responsible for procuring the contract should ensure the safe keeping of contract documentation in line with the Council's document retention policy.

7.4 All records for public contracts (Relevant Contracts) where a "material decision" was made, must be kept for a minimum of 3 years from when the contract was entered into by the Council and the supplier.

## Section 3: Purchasing Rules

**8.0 Competition Requirements for Purchases, Partnership Arrangements Frameworks, Concession contracts and Light- touch contracts**

- 8.1 Subject to Rule 8.2, 8.3, 8.4, 8.5 and 8.16, Officers must estimate the value of a contract as the maximum amount the Council could expect to pay under the contract including, where applicable, amounts already paid. Values are to include the estimated costs of the contract including additional options if selected, extensions if exercised as well as premiums, commissions or interest which could become payable at any point of the contract. Where there are lots in a procurement which could reasonably all fall under one contract (for instance with supplier delivering all lots), these must be aggregated together for the estimated value of the procurement (unless there is some justifiable and defensible reason not to do so). All estimated values must *include* VAT. If in doubt, Officers should seek the advice of their procurement team.
- 8.2 For concession contracts, the estimated value is the amount a supplier might expect to receive as a result of the public contract.
- 8.3 Where Officers are unable to properly estimate the value of a contract, the assumption is that the value is above the Threshold. Officers should use their best valuation processes to arrive to an estimate and avoid this conclusion.
- 8.4 Where Officers are undertaking a procurement for a mixed contract (for instance goods and works are to be provided by a supplier) such that different Thresholds apply, If the elements are not separable then determine which aspect is the main purpose of the contract and that Threshold would apply. If the elements are separable then they can either be treated separately in relation to their applicable threshold or procured as a mixed contract (applying the lower Threshold).
- 8.5 Relevant Contracts must not be artificially divided into two or more contracts to avoid the application of these CPRs or Procurement Legislation. The Council is required to aggregate their requirements which can be reasonably aggregated unless there is a reason not to. Officers have discretion not to aggregate when they have cause not to. For instance where the goods, services or works to be supplied under two or more contracts would be under threshold but due to the nature of them, they could reasonably be supplied under a single contract and there is no reason not to do so then the contract should be combined and procured together. A good reason for not aggregating may include where not aggregating would lead to better outcomes or where a business unit has a delegated budget within the Council and procures only for the purpose of that business unit or where not aggregating would lead to better value outcomes (such as procuring printers from a particular supplier does not mean that the Council should necessarily buy all of their toner, paper and servicing from that same supplier if Officers believe they can get a better deal elsewhere or if two separate departments require toners for different types of printers unless one supplier can provide both).
- 8.6 Officers are to have regard to the fact that small and medium-sized enterprises may face particular barriers to participation and consider whether such barriers can be removed or reduced. In relation to frameworks and concession contracts, please contact the procurement team. Concession contracts are valued differently than standard contracts for goods, services and/or works.
- 8.7 The following table shows the procedures and approval process for the Council's tendering activities:

No.	Total Aggregate Value	Procedure	Internal Approval	Other Essential Requirements
A	£0.00 up to & including £10,000	One Written Quote	RSO	<ul style="list-style-type: none"> <li>The quote must represent value for money</li> </ul>
B	Greater than £10,000 & up to £100,000*	One of: <ul style="list-style-type: none"> <li>A framework or dynamic purchasing system (DPS)</li> <li>Three Written Quotes</li> </ul>	RSO	<ul style="list-style-type: none"> <li>Unless a framework is used, 3 written quotes to be secured under sealed bid, of which, at least one quote from a local Lancaster supplier if possible*</li> <li>opportunities valued at or greater than £25,000 which are being openly advertised must first publish a 'below-threshold tender notice' on the central digital platform before being published elsewhere (this will be done via the Council's eSourcing platform)</li> <li>Above £50,000 relevant cabinet member to be consulted</li> <li>A 'below-threshold tender notice' does not need to be published if the Council advertises only for the purpose of inviting tenders from particular or pre-selected suppliers</li> </ul> <p>Please see advertising requirements under Rule 10.</p> <p>*it should be noted that for procurements below Thresholds a restricted process can be permitted with all suppliers from the local area, subject to a waiver under Rule 17.</p>
C	£100,000* & up to and including £150,000*	Formal Tendering through one of the following: <ul style="list-style-type: none"> <li>A Framework or DPS</li> <li>Tender including advertisement</li> </ul>	Chief Officer	<ul style="list-style-type: none"> <li>There is no longer a requirement to use a selection questionnaire, as under the PCR 2015 when procuring under PA 2023. However, templates can be used such as for works industry pre-</li> </ul>



		on Lancaster's supplier portal, Contracts Finder, <ul style="list-style-type: none"> <li>• Relevant cabinet member to be consulted.</li> </ul>		qualification questionnaires provided that the templates meet the requirements of the PA 2023 <ul style="list-style-type: none"> <li>• Details on Contract Register</li> <li>• Contract placed under seal if advised by Legal</li> </ul> Please see advertising requirements under CPR 10.
D	Greater than £150,000 and up to and including £200,000	<ul style="list-style-type: none"> <li>• Formal tendering through one of the following:</li> <li>• A Framework or DPS</li> <li>• Tender including advertisement on Lancaster's supplier portal, Contracts Finder</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Executive</li> </ul>	<ul style="list-style-type: none"> <li>• As C, above.</li> </ul>
E	Greater than £200,000	<ul style="list-style-type: none"> <li>• Formal tendering through one of the following:</li> <li>• A Framework or DPS</li> <li>• Tender including advertisement on Lancaster's supplier portal, Contracts Finder</li> <li>• Refer to UK rules and requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Executive with delegated authority from Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>• As D, above</li> <li>• Above £250,000 published on the Council's List of Forthcoming Key Decisions.</li> </ul>

## 8.8

- a. Where a contract is valued between the Council's tendering threshold and Procurement Legislation's Threshold, a single stage process shall be used.
- b. **Flexible Competitive tendering process for Relevant Above-Threshold Contracts** – an open procedure (a single-stage tendering procedure) or competitive procedure (multi-

staged procedure which could restrict participants and include 'negotiation' or 'dialogue' stages) may be chosen.

- c. **Framework Contracts** – An agreement between one or more contracting authorities and one or more economic operators. The term of a framework shall, save duly, justified and exceptional circumstances not exceed 4 years. Frameworks cannot be used in an improper manner that may hinder, restrict or distort competition. All terms and conditions of contract must set out how call-offs from the framework will be made and must be followed. Open Frameworks, under the PA 2023, will be an intermediary between a traditional framework and DPS (see below). If the Officer would like to set up new frameworks under the PA 2023, additional publishing requirements will apply.
  - d. **Dynamic Purchasing System (DPS)** – A completely electronic system used to purchase commonly used goods, services or works. Unlike a traditional framework, the process shall be open throughout the contract term allowing new suppliers to join at any time. A DPS must follow the rules of restricted procedure. No new DPS will commence under the PA 2023, instead there will be Dynamic Markets which can be used for all procurements (and are currently being reviewed before the PA 2023 comes into force). Only the competitive flexible procedure can be used for Dynamic Markets. Officers must comply with the processes for Dynamic Markets in the PA 2023 to commence or procure contracts under them. Below-Threshold contracts cannot be awarded under a Dynamic Market arrangement (currently under review by the Cabinet Office).
  - e. **Concession Contracts (special regime contracts)** – To grant to the provider the sole and exclusive right to deliver the contract and to make money from the contract. A Concession contract must follow the requirement of the Concession Contracts Regulations 2016 and can follow a single or restricted procedure until the PA 2023 comes into effect.
  - f. **Convertible contracts**- these are contracts that become a public contract where modification would take the value above Threshold. Once the modification occurs then the contract will be subject to the full application of the Procurement Legislation. A Contract change notice would need to be published.
  - g. **Clinical/healthcare contracts**- these will always be subject to PSR no matter the value. Officers should discuss their requirements with the procurement team to determine if these regulations are applicable.
- 8.9 Where a two-stage process is allowed, the tender advertisement must show the number of suitably qualified tenderers who will be invited to submit bids.
- 8.10 An Officer must not enter into separate contracts nor select a method of calculating the total value in order to minimise the application of these CPRs or to avoid the requirements of the Procurement Legislation.
- 8.11 Where extensions of time or variations in price (or both together) are made to an existing contract, Officers must adhere to the extension and/or variation provisions in the terms and conditions. Officers must compute the amount of the variation and seek approval in accordance with the Council's Scheme of Delegation.
- 8.12 Where a contract is to be terminated before its contracted termination date, this must be approved by the relevant Chief Officer.
- 8.13 The procurement team must be consulted where contracts to work for organisations other than the Council are contemplated.
- 8.14 Light-touch (special regime contracts) – these contracts are wholly or mainly supply of services that have specific Common Procurement Vocabulary (CPV) and include health and social services (unless those healthcare services are covered by the PSR), benefit services,

administrative social, educational and cultural services and other services to the community. Procurements for these contracts may be flexible and not all the requirements of the Procurement Legislation will apply (including contract change notices and other transparency requirements). Please discuss your requirements with the procurement team.

- 8.15 Light Touch contracts can account for user choice and has greater flexibility.
- 8.16 When considering or calculating the value of a contract for a regulated procurement, Officers should be aware that the thresholds in the PA 2023 **are inclusive of VAT**.

#### **Health-related contracts subject to PSR**

- 8.17 All other healthcare services will need to be procured in accordance with the PSR unless the procurement is for a mixed contract. Officers must ensure that healthcare services are procured correctly with reference to the appropriate contract terms and conditions.
- 8.18 Officers should discuss their requirements with the procurement team to confirm CPV codes to ensure that the Council follows the applicable Procurement Legislation and procurement process for their contract. There is no value threshold for PSR therefore all relevant healthcare services will be caught under PSR.
- 8.19 The PSR importantly requires the Council to:
- act with a view to securing the needs of the people who use the services, improving the quality of the services, and improving the efficiency of in the provision of the services
  - ensure decisions about which organisations provide healthcare services are robust and defensible, with conflicts of interest appropriately managed and
  - adopt a transparent, fair, and proportionate process when following the PSR.
- 8.20 The PSR is quite prescriptive and Officers making decisions about healthcare services must understand the market of providers and the requirements of each award process. Two of the Direct Award Processes (A and B) must be used should the circumstances apply. Officers must determine which award procedure fits with their circumstances and follow the steps in that process:

#### I. Direct award process A

This must be used when:

- There is an existing provider for the healthcare services in question.
- The Council believes that only the existing provider (or group) can deliver these services due to their nature.
- The Council is not seeking to establish a framework agreement.

#### II. Direct award process B:

This must be used when:

- Patients have a choice of providers for the healthcare services.

- The Council does not limit the number of providers.
- The Council will offer contracts to all providers meeting the service requirements.
- Providers can express interest in offering the services.
- The Council is not seeking to establish a framework agreement.

III. Direct award process C

This may be used when:

- The Council is not bound by Direct Award Processes A or B.
- An existing contract is due to expire and the Council proposes a new contract with no significant changes.
- The Council believes the existing provider (or group) is meeting the current contract standards and will likely meet the proposed contract standards.
- It cannot be used to establish a framework agreement.

IV. The Most Suitable Provider process

This is about awarding a contract without competition because the Council can identify the most suitable provider. This process may be used when:

- The Council is not bound by Direct Award Processes A or B.
- The Council cannot or chooses not to follow Direct Award Process C.
- The Council believes it can identify the best provider based on available information, without needing a competitive process.
- This process, called the "most suitable provider process," cannot be used to establish a framework agreement.

V. The Competitive Process

This is about conducting a competitive process to award a contract. This process may be used when:

- The Council is not bound by Direct Award Processes A or B.
- The Council cannot or chooses not to follow Direct Award Process C and also cannot or chooses not to follow the most suitable provider process.
- If the Council wants to establish a framework agreement, it must use the competitive process.

Key criteria

When using Direct Award Process C, the most suitable provider process, or the competitive process, Officers must consider five main criteria:

1. Quality and innovation
2. Value
3. Integration, collaboration, and service sustainability
4. Improving access, reducing health inequalities, and facilitating choice
5. Social value.

8.21 Procurement notices are required to be published under the PSR which differ to that in the PCR 2015 and/or PA 2023 (and its secondary legislation).

Table 1: Procurement notices that require publication under PSR processes

	Direct award process A	Direct award process B	Direct award process C	Most suitable provider process	Competitive process
<b>Clear intentions:</b> Publish the intended approach in advance				Yes	
<b>Clear intentions:</b> Publish a notice for a competitive tender					Yes
<b>Communicating decisions:</b> Publish the intention to award notice			Yes	Yes	Yes
<b>Confirming decisions:</b> Publish a confirmation of award notice	Yes	Yes	Yes	Yes	Yes
<b>Contract modification:</b> Publish a notice for contract modifications	Yes	Yes	Yes	Yes	Yes

## **9.0 Preliminary-Market Engagement**

- 9.1 The Officer responsible for the purchase may consult potential suppliers prior to the issue of the invitation to tender in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters, provided this does not prejudice any potential candidate or give an unfair advantage to a potential candidate. Officers are strongly advised to engage with suppliers during the tender process. Officers must bear in mind that a Preliminary Market Engagement Notice must be published if preliminary market engagement is undertaken. If for any reason this is not published, and pre market engagement is carried out, reasons for not publishing a Preliminary Market Engagement Notice must be given in the tender notice.
- 9.2 The responsible officer must consider the Basic Principles (Rule 1) and Officer Responsibilities (Rule 2) at this stage. Contracts tendered must not only achieve value for money on a whole life costing basis for the organisation but also for society, the economy and the environment. Steps must be taken to incorporate social value, community wealth-building and environmental benefits. The Officers must also check the debarment list for excluded and excludable entities, as well as those organisations who have performance notices published about them.
- 9.3 Officers must also consider and take steps to mitigate any supplier advantage by taking part in the market engagement process. If the unfair advantage cannot be avoided then Officers must treat that supplier as excluded from the procurement process.
- 9.4 For Contracts or orders over £50,000 Officers are required to engage with their Cabinet Member before the approval of tender has been given. Discussions should include the contract's outcomes and outputs and opportunities for social value, community wealth-building and environmental benefits.
- 9.5 Preliminary market engagement notices are not required to be published for Relevant Below-Threshold Contracts. There is also no-requirement to explain non-publication of this notice for Below-Threshold tender notices.

## **10.0 Advertising**

- 10.1 Officers should ensure that proposed contracts, irrespective of their total aggregate value, are published in a sufficiently accessible advertisement for all potential suppliers to view. Generally, the greater the interest of the contract to potential bidders, the wider the coverage of the advertisement should be. Advertisements for tenders should be placed as below:
- For procurements valued between £0.00 and up to £100,000 (excluding VAT), Officers are not obliged to formally advertise (under Procurement Legislation) the purchase but may do so using the Council's supplier portal.
  - For contracts above £25,000 (excluding VAT) that are being openly procured, Officers must advertise the opportunity on Contracts Finder until the PA 2023 comes into effect then all procurement information and notices are to be published on the central digital platform.
  - Where the value exceeds the relevant Thresholds for supply, service and works contracts (concession contracts as well), tender advertisement rules must be followed in accordance with the current Procurement Legislation.
  - For procurement activity of any value Officers may use additional advertisements in national official journals, specialist trade papers or websites, if relevant and if affordable.
- 10.2 Officers must review the estimated value of all contracts against current Thresholds to determine what legal and Council process requirements are to be followed.

**Notices**

- 10.3 Officers need to be aware of the requirements to publish notices, the contents within them and when they need to be published when the PA 2023 comes into effect:
- a. If preliminary market engagement is to be undertaken and there are no reasons for not doing so then a notice must be published with the relevant information.
  - b. If Officers estimate that the total annual spend of a contract for goods, services, or works contracts (above and below Threshold) would be over £100 million then a pipeline notice must be published within the first 56 days of the beginning of that financial year (no later than 26 May each year if financial year starts on 1 April). In this notice, the Council needs to publish specified information on all upcoming contracts valued at £2 million or more expecting to be advertised in a tender notice or other procurement notice in the next 18 months following the first day of the financial year.
  - c. If Officers wish to inform the market of a procurement and/or to reduce tendering periods then a planned procurement notice may be published at least 40 days before but no more than 12 months before the day the tender notice is to be published.
  - d. Officers need to publish tender notices with all relevant information (including KPIs) in order to commence the procurement process.
  - e. Before awarding a contract, in order to start standstill, a Contract Award notice must be published.
  - f. If Officers have satisfied conditions for a direct award, then a Transparency Notice must be published and before the direct award is entered into.
  - g. A contract details notice is to be published when a Relevant Above-Threshold Contract is entered into and must be published within 30 days of entering into a public contract (or 120 days for light touch contracts but this does not apply to user choice contracts); and as soon as reasonably practicable after entering into a Relevant Below-Threshold Contract.
- 10.4 Officers need to be aware that during the lifetime of the Relevant Above-Threshold Contract, the following notices are still required to be published:
- a. Payment compliance notices - a biannual requirement to publish prescribed information (set out in regulations) about payments made or due to suppliers under public contracts in the preceding six month period.
  - b. Information about Payments— which provides specified information about any individual payment they make under a public contract which is over £30,000 (inclusive of VAT). This is a quarterly requirement, with the publication within 30 days of the end of the quarter.
  - c. Contract Performance Information— for those contracts worth more than £5 million (inclusive of VAT) where at least 3 KPIs have been set, Officers must, at least once a year, review the supplier's performance against the KPIs and publish information relating to that assessment. In addition, where there has been a breach of contract that has led to termination, damages or a settlement agreement (or the supplier fails to perform), Officers must publish information relating to the breach or failure within 30 days of it arising.
  - d. Contract Change Notice— to indicate that a change will be entered into (this is published before the modification is carried out) and Officers must also publish a copy of the contract as modified for all contracts with an estimated value of more than £5 million (inclusive of VAT) within 90 days of the modification.
  - e. Contract Termination Notice— other than in limited circumstances, the Council must publish a contract termination notice within 30 days of the date of expiry or termination of the contract.

- 10.5 Officers need to also bear in mind that the Council must publish below-Threshold notices if the estimated value of the public contract is £30,000 or more (inclusive of VAT) unless the Council intends to only invite quotes from particular or pre-chosen suppliers.
- 10.6 In the contract details notices (over £5 million), a description of the KPIs (or any reasons why not applicable) must be included, specifically at least the 3 most material to the performance of the contract. Officers must therefore take their time and develop the KPIs before publishing.
- 10.7 Please see table of notices below which describes the various notices under PCR 2015 and PA 2023. Those highlighted are mandatory in those particular circumstances.

Notice	PCR 2015 (applies to existing contracts)	PA 2023 (when it comes in force and applies to contracts procured under it)
Pipeline Notice	n/a	<p>The pipeline notice should list all planned procurements starting from the first day of that financial year for the whole financial year and the first half of the next financial year where the estimated contract value exceeds £2 million.</p> <p>The Council will be required to publish their first annual pipeline notice by May 26th 2025. This must contain the title of the procurement and estimated date when the tender notice or Transparency Notice (for direct awards) would be published.</p> <p>This notice is mandatory for organisations where procurement spend is over £100 million.</p> <p>This notice will be published by the procurement team, however, Officer input into procurement pipeline activity is required.</p>
Planned Procurement Notice	n/a	<p>An optional notice type that the Council can use in the pre-procurement stage to provide advanced notice of an upcoming procurement (similar to a PIN). This may be published anytime between 40 days and 1 year before the publication of an official tender notice.</p>



PIN	Optional and does not apply to 'light-touch' services contracts. Publishing this will not amount to commencement of a procurement process unless it is published as a call for competition.	n/a
Preliminary Market Engagement Notice	n/a	If preliminary market engagement is to be undertaken and there are no reasons for not doing so then a notice must be published with the relevant information. If the Council does not start preliminary market engagement by publishing a notice, it must explain why it did not publish this notice when it publishes its tender notice or Transparency Notice (for direct awards).
Contract Notice	Required for beginning a competitive procurement process (except for call-offs from frameworks or direct awards)	n/a
Below-Threshold Notice	Publication elsewhere first, with the notice required to be published on Contracts Finder within 24 hours of it appearing elsewhere.	<p>For Relevant Below-Threshold Contracts Officers must first publish a 'below-threshold tender notice' on the central digital platform before being published elsewhere via the Council's eSourcing platform (the Chest).</p> <p>There is no requirement to publish a below-threshold tender notice where the Council invites quotes, proposals or tenders from a closed group of pre-selected suppliers, (i.e. suppliers on a framework) or from one or more targeted individual suppliers, provided it does not advertise the procurement in any other way (for example in a newspaper or on a local website or portal).</p>
Tender Notice	n/a	<p>The Council must publish tender notices with all relevant information (including KPIs and evaluation methodology) in order to commence the procurement process (similar to a Contract Notice under the PCR 2015 which starts the procurement process).</p> <p>This is be published when undertaking an open or competitive flexible procedure (including to</p>

		establish a framework agreement and procuring using a dynamic market) or procuring a regulated below-threshold contract.
Contract Award Notice	Must be published within 30 days after contract award.	Must be published to communicate the outcome of the procurement and to commence the standstill period prior to awarding a contract under the open or competitive flexible procedure (and voluntary standstill periods for direct awards). This must contain information about the 'assessed tenders' and where the contract is over £5 million it must state the unsuccessful suppliers who submitted tenders. Note that although this is also called a "contract award notice", it is a different notice to that published under the PCR 2015.
Procurement Termination Notice	n/a	Must be published where, after publishing a Tender Notice or Transparency Notice, the process is terminated without awarding a contract.
Contract Details Notice	n/a	This notice informs the market that the contract has been entered into, as well as details of the procurement process used, the successful bidder and the awarded contract (including the contract, for public contracts £5m+), including regulated below-threshold contracts above a certain value and those procured by direct award. This must be published within 30 days for Relevant Above-Threshold Contracts; and as soon as reasonably practicable after entering into a Relevant Below-Threshold Contract.
Modification Notice	Required in some instances where modifications exceed PCR 2015 thresholds	(similar to Contract Change Notice).
Contract Change Notice	n/a	Must be published to provide details of most modifications (save for lower value modifications) that have been made to the contract during its term. This must be published before the change is made and the Council may apply a voluntary standstill period. For contracts with a value of over £5m, the Council must publish a

		copy of the whole modified contract or the modification itself.
Transparency Notice	n/a	Must be published prior to award when undertaking a direct award (note this is not a direct award under a framework agreement – this is a direct award permitted by the PA 2023 where the Council is not required to compete the contract).
Voluntary Ex Ante Transparency (“VEAT”) Notice	Published in limited circumstances to justify a direct award without competition before a contract is entered into.	n/a
Contract Termination Notice	n/a	The Council is required to issue a notice publicising that a contract has come to an end, regardless of how the contract concluded (such as expiry, termination, discharge, court order, rescinded). The Council will at the same time need to provide details around the reason for the termination.
Contract Performance Notice	n/a	<p>The purpose of this notice is to report on the supplier’s performance against any KPIs that have been established or where the Council considers that the supplier is not performing to its satisfaction. This notice is also to be used where the supplier breaches a public contract.</p> <p>Must publish KPI scores for public contracts £5m+ (at least annually). Publish within 30 days of supplier poor performance / breach of contract.</p> <p>At least once every 12 months (and more frequently, if provided for in the contract and contract details notice), the contracting authority must assess and then publish details of supplier performance against the set KPIs to the central digital platform.</p>
Contract Payment Notice	n/a	Must publish details of payments over £30,000 under a public contract (quarterly). Officers will not be responsible for publishing the payment notices and this will be done by procurement and finance.
Payment Compliance Notices	n/a	Must be published detailing the Council’s compliance with the PA

		2023's requirement to pay invoices within 30 days of receiving such invoices from suppliers and must publish details of performance against 30-day payment terms (twice annually). Officers will not be responsible for publishing the payment notices and this will be done by procurement and finance.
--	--	--

## 11.0 Standards & Award Criteria

- 11.1 The Officer must ascertain the relevant international standards which apply to the subject matter of the Relevant Contracts. The Officer must include those standards which are necessary properly to describe the required quality. UK Standards may be referred to if it adopts international equivalent standards. If there is neither an international standard nor UK standard with the equivalent international standards, then UK standards may be specified. The procurement team must be consulted if it is proposed to use standards other than international or UK standards.
- 11.2 The Officer must define award criteria that are appropriate to the purchase and designed to secure an outcome giving Value for Money for the Council. The current basic criteria is:
- "Most Economically Advantageous Tender", where price and quality elements are considered. All elements to be fully identified (including sub-criterion) in the Invitation to Tender (ITT) documentation. Quality elements should include delivery of Social Value or "Highest Price" if payment is to be received for sale or disposal (PCR 2015); otherwise
  - When the PA 2023 comes into effect, Relevant Contracts are to be award on the basis of the "Most Advantageous Tender" (MAT) which is the tender that the Council considers best meets its requirements and satisfies the award criteria weightings. Contracts awarded on the basis of MAT may also be determined on the basis of a wide range of factors - this may include price and quality criteria in addition to wider social and environmental issues where that is decided to be relevant for the best solution.
- 11.3 Award criteria under the PCRs must not include non-commercial considerations except those set out in the Public Services (Social Value) Act 2012, the Procurement Strategy or matters which discriminate against suppliers from the European Economic Area or signatories to the Government Procurement Agreement and must reflect the subject matter of the contract. This is subject to change in relation to regulations created under the PA 2023 so that this can be dis-applied to certain public contracts to the extent that the Council considers it necessary or expedient to do so to enable or facilitate compliance with the relevant duty, or where Procurement Legislation expressly indicates otherwise. Current Regulation 17 of the Draft Procurement Act 2023 (Miscellaneous Provisions) Regulations 2024 identify geographic location as a non-commercial matter that can be taken into account for below-threshold contracts.
- 11.4 Social Value outputs will be included in any contract award criteria, in accordance with the following table:

Value of Contract	Duration of Contract	Social Value Outputs
£0 - £100,000	Less than 12 months in length	Should not be included as part of the award criteria

£0 - £100,000	More than 12 months in length	Do not have to be included as part of the award criteria but officers can include where relevant to the subject matter of the contract, proportionate and complies with s23 Procurement Act 2023
£100,000 and up to the Relevant Threshold for Works, Services or Goods	Less than 12 months in length	Do not have to be included as part of the award criteria but officers can include where relevant to the subject matter of the contract, proportionate and complies with s23 Procurement Act 2023
£100,000 and up to the Relevant Threshold for Works, Services or Goods	More than 12 months in length	Should be included as part of the award criteria where relevant to the subject matter of the contract, proportionate and complies with s23 Procurement Act 2023
Above the Relevant thresholds for Works, Services or Goods	Less than 12 months in length	Should be included as part of the award criteria where relevant to the subject matter of the contract, proportionate and complies with s23 Procurement Act 2023
Above the Relevant thresholds for Works, Services or Goods	More than 12 months in length	Must be included as part of the award criteria

- 12.4 Officers must consider the Basic Principles (maximising public benefit) and National Procurement Policy Statement when setting Social Value requirements. Where contracts are being tendered through a mini-competition under a Framework, Social Value outputs may only be included if the Framework itself permits this.

## 12.0 Invitations to Tender & Quotations

- 12.1 The invitation to tender shall state that no tender will be considered unless it is received by the date and time stipulated in the Invitation to Tender.
- 12.2 All Requests for Quotes or Invitation to Tenders valued at £10,000 and greater must be conducted online through the Council's supplier portal and the designated government procurement portals where greater than £30,000 (inclusive of VAT). Officers and suppliers will be provided with guidance and support on how the system works and where they can get help.
- 12.3 All Invitations to tender to include the following:
- The requirement that all Tenders and their responses for contracts valued at £100,000 and greater must be completed online.
  - A specification that describes the Council's requirements. Specifications must set out a clear and comprehensive description of the Council's requirements with regard to the supplies, services or works to be procured. The specification must include KPIs (unless below £5m and/or there are justifications to not apply them.) A requirement for tenderers to declare that the tender content, price or any other figure or particulars concerning the tender have not been disclosed by the tenderer to any other party (except where such a

disclosure is made in confidence for a necessary purpose). Named products or manufacturers must not be specified unless Officers consider it necessary in order to justify their requirements.

- c. A requirement for tenderers to complete fully and sign all tender documents including a form of tender and certificates relating to canvassing and non-collusion.
- d. Notification that tenders are submitted to the Council on the basis that they are prepared at the tenderer's expense.
- e. A description of the award procedure and, a definition of the award criteria in objective terms and if possible, in descending order of importance.
- f. Weighting for award criteria and calculation of the scores.
- g. The method by which any arithmetical errors discovered in the submitted tenders is to be dealt with; in particular, whether the overall price prevails over individual rates when it comes to a bidder's tender's price being considered "abnormally low" in the tender or vice versa.
- h. A statement to the effect that any tender that does not comply with the Council's requirement will be excluded from further consideration
- i. And any other rules and instructions set out in the Invitation to Tender.

- 12.4 All Invitations to tender or quotations must specify the goods, service or works that are required, together with the terms and conditions of contract that will apply (see Rules 18 and 19).
- 12.5 Tenders that are returned without a requested signed Form of Tender will be considered as non-compliant.
- 12.6 All candidates invited to tender, or quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis.

#### **Conditions of Participation (PA 2023)**

- 12.7 Suppliers must satisfy the conditions of participation in order to qualify to be awarded a public contract following a competitive tendering procedure. These conditions are that the supplier has
  - legal and financial capacity; and/or
  - technical ability
 to perform the contract, and must be proportional having regard to the nature, complexity and value of the contract (Supplier Assessment Conditions). There is no requirement to set conditions under any heading which is not relevant to the procurement therefore Officers can use just one heading.
- 12.8 These Supplier Assessment Conditions may be used to limit the number of suppliers in an initial participation round via a pass/fail mechanism or using objective criteria to score suppliers as set out in the tender notice.
- 12.9 The Supplier Assessment Conditions must be general and allow equivalent qualifications, experience or technical ability but cannot break the rules on technical specifications (as required under Procurement Legislation), require submission of audited accounts or insurances in place before award of the contract.
- 12.10 There is no longer a requirement to use a standardised selection questionnaire for Relevant Above-Threshold Contracts under the PA 2023, however, templates can still be used provided they comply with PA 2023 requirements. The government has published a Procurement Specific Questionnaire template for use and whilst not mandatory for the Council's use, it is recommended that Officers use this template. Please find template at

<https://www.procurementpathway.civilservice.gov.uk/documents/template/pa-2023-procurement-specific-questionnaire> or request a copy from the procurement team.

12.11 The Supplier Assessment Conditions are different to the award criteria which assesses the tender.

12.12 Conditions of participation only apply to Relevant Above-Threshold Contracts.

### **13.0 Shortlisting**

13.1 Any shortlisting must have regard to the financial standing, technical capacity and capability relevant to the contract and the award criteria.

13.2 Where the contract value is over Threshold, Officers must adhere to specific shortlisting rules that apply in respect of the Procurement Legislation. Under the PA 2023, shortlisting or two stage tendering can be done under the competitive flexible procedure but cannot be used in the open procedure.

### **14.0 Submission, Receipt & Opening of Tenders & Quotations**

14.1 Tenders of £100,000 or greater must be returned directly using the Council's supplier portal. Further information on the e-tendering system is available from the procurement team. Tenders must be submitted directly to the portal.

14.2 An electronic reverse auction should only be used following discussion with Procurement. The procedure enables suppliers/providers to adjust their tender price in the light of information from the tender prices submitted by competing suppliers/providers, then alterations will be accepted as permitted by the auction process. This can only be done for open procedures and the technical details need to be described in the tender notice.

14.3 All submitted tenders must be opened at the same time after the period for submission has ended.

14.4 Suppliers who have expressed interest or have been invited to participate in a tender must be given adequate period in which to prepare and submit a proper quotation or tender, consistent with the complexity of the contract requirement.

14.5 Any tender that does not comply with the Council's requirement, as set out in the tender invitation, should normally be excluded from consideration, with the circumstances recorded. Officers may, however, seek the agreement of the Chief Officer Governance and procurement to relax these requirements in appropriate circumstances.

### **15.0 Clarification Procedures and Post Tender Negotiation**

15.1 Providing clarification of an invitation to tender to potential or actual candidates or seeking clarification of a tender, in writing, is permitted. Discussions with tenderers after submission of a tender and before the award of a contract (post tender clarification) with a view to clarifying obvious omissions, mistakes or errors, false statements or abnormal offers in the tender submitted, operational provisions or terms and conditions of contract are permitted and should be done wherever possible through the supplier portal. Officers are expected to evaluate the tenders as submitted and other than corresponding with the tenderer for minor or non-material clarifications, under no circumstances should any tenderer be given the opportunity to engage in negotiations with regard to pricing or any other material aspects of the tender. Where post tender negotiations are to take place with suppliers as part of the procurement process, this should be stated in the tender notice and the procurement documents and all tenderers involved in the respective exercise must be notified. All information and correspondence must be documented by the Officers conducting the clarification. The competitive flexible procedure allows for negotiation at any stage of the procurement process if designed that way by officers.



15.2 The Officer may negotiate the terms of a Tender for one or all bidders in writing or at a meeting, provided that:

- The Chief Officer is satisfied that the Officer carrying out the negotiation has the skill and competency commensurate with the complexity and value of the contract and has authorised such action. Confirmation of authorisation is to be kept as a record.
- The Procurement Manager should be made aware of any Post Tender negotiations that are taking place.
- Notes of that meeting are taken and agreed with all the parties.
- The Officer seeks advice and support from the Procurement Manager.
- The Officer has regard and follows the Council's Code of Conduct for Employees at all times.

15.3 Officers may seek authorisation to carry out negotiations on contracts that are currently being delivered; this may be with regard to price or quality. Authorisation will be granted by the Chief Officer.

15.4 Where post-tender clarification results in a fundamental change to the specification (or contract terms) the contract must not be awarded but re-tendered.

## **16.0 Evaluation, Award of Contract & Debriefing of Candidates**

16.1 Apart from the debriefing required or permitted by these CPRs, the confidentiality of quotations, tenders and the identities of candidates must be preserved at all times and information about one candidate's tender submission must not be given to another candidate.

16.2 Officers involved in the evaluation must review and update their conflict of interest declarations before evaluation.

16.3 Officers must check to determine if a tenderer is an excluded or excludable supplier, assess conditions of participation, where the tenderer or its nominated subcontractor is located, the tender meets all requirements, whether the price could be abnormally low, and is compliant with the tender documents and procedural requirements.

16.4 Contracts must be evaluated and awarded in accordance with the award criteria and agreed evaluation methodology as published in contract notices and the procurement documents.

16.5 Any evaluations that are undertaken independently should have scores determined, if necessary, by a tender evaluation panel during a moderation meeting. All documentation pertaining to the evaluation and decision including minutes, individual scores and notes are to be retained. Officers must ensure full written legible notes are made by evaluators and moderators to have an audit of the evaluation.

16.6 If arithmetical errors are found in a bidder's tender submission or is deemed to be "abnormally low" these should be clarified with the tenderer. If the rates in the tender, rather than the overall price, were stated within the tender invitation as being dominant, an amended tender price may be requested to accord with the rates given by the tenderer.

16.7 Officers may accept quotations and tenders received in respect of proposed contracts, provided they have been sought and evaluated fully in accordance with these CPRs and in respect of the Scheme of Delegation.

16.8 Where the total value of a Relevant Contract is at £100,000 (excluding VAT) and greater, both the successful and unsuccessful tenderers (those that submitted a tender which was evaluated) should each be provided with an assessment summary.

16.9 As required under Procurement Legislation:

a. Relevant Below-Threshold Contracts

- i. The successful Supplier should be notified promptly in writing, through the supplier portal that they have been selected to carry out the contract.



- ii. Unsuccessful suppliers should be informed, in writing that they have not been selected to carry out the contract at the same time as the successful Supplier.
- b. Relevant Above Threshold Contracts
  - i. The successful Supplier should be notified promptly in writing, through the supplier portal that they have been selected to carry out the contract.
  - ii. Unsuccessful suppliers should be informed, in writing that they have not been selected to carry out the contract at the same time as the successful Supplier.
  - iii. Both successful supplier and unsuccessful suppliers must be provided with assessment summaries.
  - iv. A contract award notice must be completed and published. This notice cannot be published until all bidders have been issued with an assessment summary and will trigger the start of the standstill period.
  - v. The “mandatory standstill period” is the period of 8 working days beginning with the day on which a contract award notice is published or such other later date as provided for in the contract award notice. This does not apply for specific contracts such as award of direct award, in accordance with a framework, reference to a dynamic market or a light-touch contract.
- 16.10 Assessment summaries must include information about the assessment of the tender and if different, the most advantageous tender- the successful tender.
- 16.11 When evaluating prices, indexation may be allowed if provided for under the contract. General increases in contract prices in relation to indexation depends on the mechanism in the contract. Officers to consider this when valuing the contract and determining whether the value can exceed the relevant procurement thresholds (noting the existence of convertible contracts see Rule 8.8 above)
- 16.12 The Council is required to confirm with the preferred supplier that their information on the central digital platform is up-to-date and accurate. Officers must ensure that this step is undertaken before any contract award step is taken.

## 17.0 Waivers (Single Tender Action – Direct Award Contracts)

- 17.1 For Relevant Above-Threshold Contracts, it is recognised that, under exceptional circumstances only, one provider may be chosen by the Council able to fulfil the needs of the Council. Procurement Legislation do not provide only a single term to cover such arrangements and consequently they may be referred to by various names. All must be treated in the same manner. Officers may carry out a selection process or take such other preliminary steps as they considers appropriate for the purpose of directly awarding a contract
- 17.2 A Single Tender Action is the award of a contract to a single supplier, service provider or contractor of the Council’s choosing without undertaking a competitive tendering exercise in the following exceptional circumstances:
  - a. **Technical Reason** – required for novel prototypes and development (PA 2023).
  - b. **Exclusive Rights** – only one party can perform the contract due to intellectual/industrial property rights e.g. patents/trademarks or copyright.
  - c. **Artistic Rights** – engaging an artist or performer in the creation or acquisition of a unique work of art or artistic performance.
  - d. **Urgency** – strictly necessary for reasons of extreme and unavoidable urgency.

- e. **Additional/Repeat delivery of services/goods or works by existing supplier** –a change in supplier would be different or incompatible with the current supplier and the difference of incompatibility would result in disproportionate technical difficulties in operation or maintenance.
- f. **Reserved repeat delivery of similar services/goods or works by previous supplier** – only if indicated in previous tender notice or tender document no more than 5 years from request of repeat.
- g. **Consultancy Services** – follow up work to complete the assignment previously awarded on a competitive tendering exercise.
- h. **Protect life** – considered necessary for protection of human, animal or plant life or health or protections of public order/safety (PA 2023).
- i. **Excluded supplier** – if there is an overriding public interest in awarding the contract to that supplier.
- j. **No suitable tenders** were submitted following a competitive procedure.
- k. **Purchase of commodities** – goods purchased on the commodity market (direct award under PA 2023).
- l. **Advantageous terms on insolvency** – Awarding a contract to a particular supplier will ensure particularly advantageous terms due to the supplier undergoing insolvency proceedings.
- m. **Or any other circumstance as provided for in Procurement Legislation.**

17.3 For Relevant Above-Threshold Contracts, Offices are required to complete a waiver before entering into a contract or applying a contract modification (See Rule 27).

17.4 For Relevant Below- Threshold Contracts, the Council and its Cabinet may waive any requirements within these CPRs for specific projects. However, consideration must be given to the risk of legal challenge should a decision not to advertise the requirement and proceed to award the contract or framework without competition be made. The Council may delegate that authority in line with section 8.7 of the CPRs and the Chief Officer Governance. The circumstances under which a waiver can be agreed include:

- a. **Demonstrable Best Interest:** it can be demonstrated that it is in the Council's best interest and this is clearly demonstrated in the comments section in the waiver report.
- b. **Emergency:** There is a clear need to provide a service or product immediately in the instance of a sudden unforeseen crisis; the immediate risk is to health, life, property or environment. Normal competitive processes are not feasible.
- c. **Changing an Existing Contract:** making significant improvements and/or changes to an existing contract. This will usually be captured in a contract variation waiver.
- d. **Urgency:** there exists an unforeseen situation calling for prompt action in order to provide a product or service that fulfils a specific statutory obligation, e.g. health and safety requirements. Competitive processes may not be feasible
- e. **Exigencies of a Service:** there are demonstrable circumstances that are genuinely exceptional.
- f. **Extension as Waiver:** where a contract extension is being sought which was not duly authorised in the original Officer Delegated Decision.

17.5 Single Tender Actions **will not** be permitted in the following circumstances:

- time constraints through poor project planning
- previous relationships with suppliers
- to avoid a competitive tendering exercise.

17.6 All waivers, the reasons and the justification for them and the period for which the waiver is valid must be recorded and signed off by the relevant officer and manager in accordance with the Council's Scheme of Delegation.

17.7 A single tender still requires a set of Invitation to Tender documents including terms and conditions and scope of works to be drafted and issued, and a written formal response to be made by the supplier through the Council's e-tendering portal.

17.8 The decision-making route for waivers is as follows: Waiver

Value	Decision Maker
£0.00 up to £150,000	<ul style="list-style-type: none"> <li>Chief Officer</li> </ul>
£150,000 and greater	<ul style="list-style-type: none"> <li>Monitoring Officer or Section 151 officer</li> </ul>

17.9 A Transparency Notice must be published before a contract is directly awarded.

17.10 In relation to urgency and Relevant Above-Threshold Contracts, a direct award is permitted where the requirement for goods, services or works is strictly necessary for reasons of extreme urgency and cannot be procured via a competitive tendering procedure and has been brought about by circumstances unforeseeable by and not attributable to the Council.

**Section 4: Contract Documents & Other Formalities****18.0 Contract Documents**

- 18.1 All relevant contracts should be in writing and should set out the parties' obligations, rights and risk allocations.
- 18.2 All relevant contracts, irrespective of value, should clearly specify:
- What is to be supplied (i.e. the works, materials, services, matters or things to be furnished, had or done)
  - The provisions for payment (i.e. the price to be paid and when)
  - The time, or times, within which the contract is to be performed
  - The provisions for the Council to terminate the contract
  - The terms and conditions to be applied to the contract
- 18.3 The Council's terms and conditions of contract should be used wherever possible rather than the suppliers. If you intend to use the supplier's terms advice must be sought from legal.
- 18.4 If the Council's standard terms and conditions are not used, every relevant contract of purchase over £100,000 (excluding VAT) must also state clearly as a minimum:
- That the contractor may not assign or sub-contract without prior written consent
  - How the contractor would indemnify the Council against any negligent act or omission
  - Any insurance requirements
  - How the contract may be ended because of non-performance or otherwise
  - How intellectual property is dealt with
  - How services may be varied
  - That the contractor should pay the living wage
  - At least 3 materially important key performance indicators (unless not appropriate – see rule 19.5)
  - Health and safety requirements
  - Ombudsman requirements, if relevant
  - Data protection requirements (GDPR) especially where data processing is to be undertaken, if relevant
  - That charter standards are to be met if relevant
  - Requirements under the Equalities Act 2010
  - Anti-fraud, Corruption and Modern Slavery
  - Freedom of Information Act requirements
  - Where Agents are used to let contracts, that Agents must comply with the Council's CPRs
  - A right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant
  - Special conditions relating to Responsible Procurement
  - Where required Special Conditions (as required by the Council) relating to Works Contracts
- 18.5 The formal advice of legal must be sought for the following contracts:
- Where it is proposed to use a supplier's own terms
  - Those that involve insourcing or outsourcing
- 18.6 In addition to Legal advice the advice of legal should be sought for contracts:
- Where the total value exceeds £100,000
  - Those involving leasing arrangements
  - That are complex in any other way.
- 18.7 Officers must arrange for the original copy of all signed contracts to be lodged with legal as soon as the contract has been awarded.
- 18.8 Where possible, Relevant Above-Threshold Contracts should expressly state those terms and conditions which are implied into them by the Procurement Legislation):

- Electronic invoicing
- Payment terms in contract and sub-contracts (including Relevant Below-Threshold Contracts)
- right to terminate public contracts, and
- Framework terms

## 19.0 Contract Formalities

- 19.1 All contracts should be concluded formally in writing before the supply, service or construction work begins.
- 19.2 The Officer responsible for securing signature of the contract must ensure that the person signing for the other contracting party has authority to bind it.
- 19.3 Subject to any exceptions as provided elsewhere in the Scheme of Delegation, all contracts to be made under seal (other than contracts for the sale and acquisition of land at auction, electronic e-auctions and insurance contracts) will be determined by the Chief Officer Governance.
- 19.4 Where contracts are completed by each side adding their formal seal, such contracts shall be attested by the Chief Executive or Chief Officer. The seal must not be affixed without the proper authority. A contract must be sealed where in the opinion of the Chief Officer Governance:
- The Council wishes to enforce the contract more than six years after its end
  - The price paid or received under the contract is a nominal price and does not reflect the value of the goods or services
  - There is any doubt about the authority of the person signing for the other contracting party
- 19.5 Officers must set at least 3 key performance indicators for all public contracts with an estimated value of more than £5 million (including VAT) except where Officers determine it is not appropriate (for instance one-off delivery of goods).

## 20.0 Publishing Contract Information

- 20.1 The Council must publish a copy of all contracts which are more than £5 million
- If a light touch contract within 180 days from the day the contract is entered into; or
  - other public contract within 90 days from the day the contract is entered into,
- which may be redacted. Officers should review with the information governance team before publishing.
- 20.2 Where the Officers have set KPIs the Council is to publish at least the 3 of the most material KPIs annually for the lifetime of the contract therefore all Relevant Above-Threshold Contracts must have adequate performance monitoring and reporting mechanism. This information needs to indicate how the contract has been performed against set criteria:

<b>Rating</b>	<b>Description</b>
Good	Performance is meeting or exceeding the key performance indicators
Approaching target	Performance is close to meeting the key performance indicators
Requires improvement	Performance is below the key performance indicators
Inadequate	Performance is significantly below the key performance indicators
Other	Performance cannot be described as good, approaching target, requires improvement or inadequate

## **21.0 Bonds & Parent Company Guarantees**

- 21.1 The Officer must consult the appropriate Chief Officer to determine whether a Parent Company Guarantee (PCG) is necessary and at what level when a candidate is a subsidiary of a parent company and:
- a. Award is based on evaluation of the parent company, or
  - b. There is some concern about the stability of the candidate or
  - c. The candidate, associated or connected persons (or parent company) are listed in the mandatory/discretionary grounds debarment list (see Rule 2.2).
- 21.2 Further to Rule 21.1 (c.), the Officers will need to make an assessment as to whether the 'self-cleaning' information is sufficient and acceptable.
- 21.3 The Officer must consult the appropriate Chief Officer about whether a Bond is needed, the value it must be where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the candidate.

## **22.0 Prevention of Corruption**

- 22.1 The Officer must comply with the Officer Code of Conduct and must not invite or accept any gift or reward in respect of the award or performance of any contract. High standards of conduct are obligatory. Findings of corrupt behaviour in Council officers may lead to dismissal.

**23.0 Declaration of Interest**

- 23.1 If it comes to the knowledge of a member or an employee of the Council that a contract in which he or she has a pecuniary interest has been or is proposed to be entered into by the Council, he or she shall immediately give written notice to the Chief Officer Governance.
- 23.2 Such written notice is required irrespective of whether the pecuniary (financial) interest is direct or indirect. An indirect pecuniary interest is distinct from a direct pecuniary interest in as much as it is not a contract to which the member or employee is directly a party.
- 23.3 A shareholding in a body not exceeding a total nominal value of £1,000 or 1% of the nominal value of the issued share capital (whichever is the less) is not a pecuniary interest for the purposes of this standing order.
- 23.4 Responsible Officers must take reasonable steps to identify, and keep under review, any actual or potential conflicts of interest that any staff or consultant has in relation to a Relevant Above-Threshold Contract and mitigate the effect of a conflict of interest by taking reasonable steps to avoid putting a supplier at an unfair advantage or disadvantage. If the conflict of interest cannot be avoided or mitigated to nullify any advantage or if a supplier to undertake mitigated steps then that supplier is to be treated as an excluded supplier and not be allowed to participate in the procurement process.
- 23.5 Where an Officer (or consultant) is involved in the decision-making process, and has a personal, professional or financial interest (whether direct or indirect) in relation to a Relevant Contract, the Officer should declare this interest whether or not it is in existence at the time of the declaration or could arise in the future should certain circumstances occur as this could be considered a perceived conflict of interest.
- 23.6 Where conflicts of interest exists, potentially could or could be perceived to exist, Officers need to determine what can be done to mitigate the effects and put into effect as soon as reasonably possible.
- 23.7 Before commencing an above Threshold procurement, a conflict assessment is to be prepared before a tender or Transparency Notice is published. This assessment must include details of the conflict of interest, steps taken or will be taken to mitigate conflicts of interest and address circumstances which the contracting authority considers are likely to cause a reasonable person to wrongly believe there to be a conflict or potential conflict of interest. Officers should discuss with the procurement and information governance team before publishing.
- 23.8 A record of all declarations of interests notified by Officers will be Reviewed and revised as necessary (before any Tender Notice, Transparency Notice, dynamic market notice, Contract Details Notice or Contract Change Notice is to be published) confirming that this has been completed. The review and confirmation requirement ceases to apply after the Council has published a procurement or contract termination notice.
- 23.9 While these provisions do not apply to below-Threshold procurements, Officers should undertake responsible due diligence and take a proportionate approach to having a conflicts of interest assessment.

**Section 5: Contract Management****24.0 Managing Contracts**

- 24.1 Chief Officers are to name contract managers for all new contracts. All contracts should have a named Council contract owner and contract manager for the entirety of the contract.
- 24.2 Contract managers must follow the procedures set out in the Council's CPRs and are responsible for KPI assessments and providing all contract information in the relevant form, required to be published.

**25.0 Risk Assessment & Contingency Planning**

- 25.1 Provision for resources for the management of the contract, for its entirety, must be identified in the business case.
- 25.2 For all contracts with a value of £100,000 and greater, the contract manager must:
  - a. Maintain a risk register during the contract period
  - b. Undertake appropriate risk assessments and for identified risks
  - c. Ensure contingency measures and business continuity plans are in place
- 25.3 Prior to commencing an above Threshold procurement process, the risk types need to be identified and any mitigating steps would need to be considered:
  - a. Known Unknowns – there is insufficient information for consequences to be known in advance; the risk is lower priority/non-critical, due to unknown probability and impact; and the cost of defining the risks up-front and building into the contract may be disproportionate against the actual cost paid if the risk materialises. This can, for instance be mitigated by Officers by undertaking pre-market engagement, design an appropriate specification that considers the risks and developing relevant KPIs to manage the risk or likelihood of these 'known unknown' risks occurring. Officers could also detail in tender documents and/or notices how the risks may impact satisfactory performance of the contract, why it cannot be addressed 'upfront' in the contract, raise the possibility of additional modification if any of these 'known unknown' risks later materialise and who is assigned it in the tender documents and notices. These are risks that the Council is aware of but unaware of size and effect of impact. For instance, if the council wishes to refurbish one of their buildings and whilst they can undertake site surveys which does not identify problems, the risk remains that some issues with the building fabric may still be uncovered if for instance the building was not fully surveyed. Known elements of a risk are those that can be reasonably identified in advance of the risk materialising and the unknown elements of a risk are those that cannot be reasonably identified in advance of the risk materialising due to insufficient information on the probability and impact.
  - b. Unknown Unknowns – unforeseeable risks that Officers are not aware of, and therefore also unaware of the size and effect of their impact. This can, for instance be mitigated by Officers undertaking pre-market engagement to help identify potential risks using market / supplier knowledge.
  - c. Known Knowns – foreseeable risks that Officers are aware of, and are also aware of the size and effect of their impact. This can, for instance be mitigated by Officers undertaking pre-market engagement, design an appropriate specification that considers the risks and developing relevant KPIs to manage the risk or likelihood of it occurring. Officers could also detail the risk in the tender documents and notices which could be beneficial if the risk materialises and the Council needs to modify the contract accordingly (costs must not be increased by more than 50%).



**26.0 Contract Monitoring, Evaluation & Review**

- 26.1 All contracts valued at £100,000 and greater are to be subject to regular formal reviews with the contractor. An initial review should be done at the first 3 months of a contract start date and on-going reviews should then be conducted on a regular schedule.
- 26.2 A formal review process must be applied to all contracts deemed to be High Risk, High Value, or High Profile. This process must be applied at key stages of major procurements.
- 26.3 During the life of the contract, the Officer must monitor a contract in respect of:
- Performance and compliance with specification and contract.
  - Cost and any value for money requirements including inflation, bonuses, any gain/share arrangements and the application of service credits (if relevant).
  - Whether payment of valid and non-disputed invoices (or such other payable sum) are made by the Council within 30 days of receipt of it. This is to be published twice a year.
  - All contract variations, the reasons for them and whether they affected the cost/value of the contract (and the difference in pounds and percentage change in comparison to the originally awarded value of the contract); and ensure the contract has been modified within 90 days of the modification for publishing-only those contracts estimated or modified to be over £5million.
  - User satisfaction and risk management.
  - Equality Assessment Progress Report (including Living Wage)
  - Supplier Financial Health Check.
  - Relevant Due Diligence clarifications including Modern Slavery.
  - Performance of KPIs/ service levels and the how the supplier is performing the contract against the KPIs in particular the top 3 most material KPIs essential to that contract
  - Social Value.
  - Environmental.
  - Insurances to be maintained under the contract.
  - records for contract termination.
  - any audits which are undertaken during lifetime of contract.

**27.0 Modifications**

- 27.1 Any variation to contract for a contract valued above the Threshold can only be varied if the variation is a permitted modification and not a substantial modification in accordance with Procurement Legislation.
- 27.2 All variations of current or future Relevant Above-Threshold Contracts will need to be varied in accordance with the applicable Procurement Legislation. all variations should be reviewed by Legal Services prior to the agreement of any variation. Permitted modifications include:
- Change provided for in the contract.
  - Urgency and protection of life (PA 2023).
  - Unforeseen circumstances (subject to the change not exceeding 50% of the value of the original contract under PCR 2015; and the proposed change does not increase the estimated value of the contract by more than 50% under PA 2023).
  - Materialisation of a known risk (subject to the change not increasing the estimated value of the contract by more than 50% PA 2023).
  - Additional goods, services or works (under PCR 2015 provided that any increase in price does not exceed 50% of the value of the original contract; and under PA 2023 provided the modification would not increase the estimated value of the contract by more than 50%).
  - 'Convertible contract' (PA 2023).
  - Any other permitted modification allowed under the applicable Procurement Legislation.

27.3 For Relevant Above-Threshold Contracts, Officers are required to complete a waiver before entering into or applying a contract modification (see Rule 17 above) such as before a contract change notice is published.

27.4 For Variations to Relevant Below-Threshold Contracts (subject to whether it is a convertible contract) and light touch contracts, input from the procurement team should be requested by Officers. A waiver will need to be completed.

#### PA 2023

27.5 Before any modification to a contract can be made, a contract change notice must be published unless there is an exception (such as if the modification increases or decreases the estimated value of the contract by 10% or less for goods or services or 15% or less for works; or the contract term by 10% or less of the maximum term provided for on award).

27.6 Under the PA 2023, changing the term of a contract term by more than 10% of the maximum term is considered substantial (calculated in months). Officers must therefore ensure they account for all possible extensions in all Relevant Contracts.

27.7 If the change increases or decrease the estimated value of the contract by 10% or less for goods or services or 15% or less for works unless the modification is permitted in relation to novation or transfer of the contract on corporate restructuring (PA 2023).

27.8 Modifications apply to the value of the contract at the time of the modification (i.e. the estimated value of the contract immediately before the modification is made) - therefore if more than 1 modification is applied to the contract, the value will be the new value (including the previous modification) rather than the old value.

27.9 Officers may observe a voluntary standstill period of at least 8 working days from the day of publication of the contract change notice and it is strongly recommended to do so to provide additional protection for the Council. If Officers are choosing not to apply the voluntary standstill period, this would need to be discussed and agreed with the procurement team.

27.10 Officers must publish either the modification or the modified contract within 90 days of entering into it, provided that a contract change notice is required to be published and the estimated value of the contract is more than £5 million.

#### Public Contracts Regulations 2015 (as amended) (PCR 2015)

27.11 Officers must note that any changes made to Relevant Above-Threshold Contracts that started their procurement process or existed before the PA 2023 comes into effect are still subject to the modification rules of the PCR 2015. It is important to check when the contract was procured and if calling off a framework agreement, check when the framework agreement was established. If they were procured with the PCR 2015 were in force, then the PCR 2015 will apply to modifications under them.

27.12 Permitted modifications are allowed if the value is below 10% of the initial contract value for service and supply contracts and 15% of the initial contract value for works contracts, provided that the modification does not alter the overall nature of the contract. A waiver will need to be completed.

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

## Statement of Accounts Update

**19 November 2025**

### Report of Chief Finance Officer

<b>PURPOSE OF REPORT</b>
To provide the Committee with an updated position regarding the conclusion of the audits of the 2023/24 Statement of Accounts, and the progress of the audit of the 2024/25 Financial Statements.
<b>This report is public.</b>

#### RECOMMENDATIONS

- That the report be noted and following the conclusion of the 2023/24 audit, the Chair, in consultation with the Section 151 Officer, be authorised to approve the Statement of Accounts.
- The position of the 2024/25 audit be noted and the Chair, in consultation with the Section 151 Officer, be given delegated authority to approve the Statement of Accounts and undertake necessary actions in order to achieve the statutory backstop dates.
- The Audit Committee refer the External Auditors Annual Audit 2023/24 Report to Full Council for consideration

#### 1.0 INTRODUCTION

1.1 This report provides an update on key areas and events of the since the last Audit Committee meeting 30 July 2025. The paper covers the following areas.

- External Audit position of the Council's 2023/24 & 2024/25 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 progress on all the Councils outstanding audits.

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 Deadline	Status
All years up to and including 2022/23	13 December 2024	Achieved
2023/24	28 February 2025	Outstanding
2024/25	27 February 2026	
2025/26	31 January 2027	
2026/27	30 November 2027	
2027/28	30 November 2028	

- 2.2 The Committee will be aware that both the Council Officers and the External Auditors are working to ensure that the 27 February 2026 deadlines are achieved.

### 3.0 FINANCIAL STATEMENTS 2023/24

#### Financial Statements

- 3.1 Following the much-publicised issues within the Public Sector Audit regime our External Auditors do not have the required level of assurance across a number of areas. As a result, have only be able to undertake a limited amount of audit work on the 2023/24 financial statements. However, this work has now been concluded and in accordance with the backstop arrangements plan to issue a disclaimed opinion shortly.
- 3.2 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. It simply reflects the impact of the issues within the audit regime
- 3.3 The External Auditors are required to present the Audit Committee with an ISA 260 report detailing their Audit findings. This report have been presented and considered by the Audit Committee elsewhere on this agenda. The findings noted within the report have been discussed and agreed with Officers.
- 3.4 Provided at **Appendix A** is a Management Letter of Representations. The Council is required to provide this letter to the External Auditors before they issue their audit opinion. The Audit Committee is asked to review the Management Letter of Representations, following which the s151 Officer will sign it on behalf of the Council.

#### Value for Money Conclusion

- 3.5 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.
- 3.6 In 2020 the External Auditor requirements around VfM assessment moved away from a binary qualified/ unqualified conclusion. It now includes more substantial commentary against each of these three areas and reports on the arrangements put in place by the Council to deliver VfM.
- 3.7 The purpose of preparing and issuing an AAR is to communicate to the Council 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 Council. To enable this, it is a requirement that the report be presented to Council for consideration and published on the Council's website alongside the audited Statement of Accounts

### Summary Of Findings

3.8 The External Auditors can make a number of recommendations which are classified into a hierarchy of levels:

- Statutory Recommendations – Actions which should be taken where significant weaknesses are identified with arrangements. These are made under Schedule 7 of the Local Audit and Accountability Act 2014 and require discussion at Full Council and a public response.
- Key Recommendations – Actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- Improvement Recommendations – Actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements

3.9 The Value for Money report is included within the Auditor's Annual Report presented elsewhere on the agenda and will be refer to Council 17<sup>th</sup> December 2025

### Objection

3.10 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 where cross referenced to those from previous years and the findings from Deloitte. As noted in previous update reports KPMG will need to form their own view validity of the objections, but it is hoped this work will be concluded shortly.

3.11 As in previous years the 2023/24 scale audit fee £161,380 (2022/23 £44,959) does not include any amount for dealing with objections and so it is expected that the Council will again incur additional audit fees in regard to this matter.

3.12 The audit certificate which formally concludes the audit for the year can only be issued once the auditors have considered the merits of the objection.

## **4.0 FINANCIAL STATEMENTS 2024/25**

### Financial Statements

4.1 The deadline for publishing the Council's Unaudited 2024/25 Statement of Accounts was 30<sup>th</sup> June 2025. The s151 Officer is pleased to inform Members that we achieved this publication deadline. [Statement of Accounts - Lancaster City Council](#)

4.2 Although a considerable amount of audit work has been undertaken on the 2024/25 Statement of Accounts there remains some issues yet to be concluded. As highlighted in section 2 above the backstop date for the conclusion of the audit is 27<sup>th</sup> February 2026. It has been reported the Committee on a number of occasions that this date conflicts with the Council's existing timetable for production of General Fund and Housing Revenue Account revenue and capital budgets, supporting strategies, as well as Council Tax setting, all of which are statutory requirements for the Council. However, given the progress on the audit to date and the External Auditors requirement to present both their ISA260 report and the Annual Audit Report a provisional Audit Committee booked 18<sup>th</sup> February 2026

4.3 Similar to previous years given the issues with the sector the Council can expect to receive a Disclaimed Audit Opinion for 2024/25 and for several years beyond.

Objections

- 4.4 The Council has received notification from 2 Council Taxpayers of a number of objections to the 2024/25 Statement of Accounts. As in previous years the objections appear to be similar in nature to those considered by Deloitte in 2019/20, 2020/21, 2021/22 and 2022/23 and still under consideration by KPMG for 2023/24. KPMG will need to form their own view on the validity of the outstanding objections. As noted previously the scale audit fee £176,597 (2023/24 £161,380) does not include any amount for dealing with objections and so it is expected that the Council will again incur additional audit fees in regard to this matter.

**5.0 DETAILS OF CONSULTATION**

- 5.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2023/24 and 2024/25 and so consultation has been limited to discussion with the External Auditors.

**6.0 OPTIONS AND OPTIONS ANALYSIS**

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

**7.0 CONCLUSION**

- 7.1 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**

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

[Agenda for Audit Committee on Wednesday, 21st May 2025, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 19th March 2025, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 27th](#)

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

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

**Ref:**

[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](#)





Telephone: (01524) 582603  
 E-mail: pthompson@lancaster.gov.uk  
 Website: www.lancaster.gov.uk



KPMG LLP  
 1 St Peters Square  
 Manchester  
 M2 3AE

## Resources

**Paul Thompson**  
**Head of Financial Services &**  
**S151 Officer**

Town Hall  
 Dalton Square  
 LANCASTER LA1 1PJ

19 November, 2025

Dear Richard,

This representation letter is provided in connection with your audit of the financial statements of Lancaster City Council ("the Authority"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's income and expenditure for the year then ended;
- ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

## Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's income and expenditure for the year then ended;
  - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition,

measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.
5. In respect of the restatement of the net pension liability - pension asset ceiling adjustment, made to correct a material misstatement in the prior period financial statements a £33.941m increase in the net pension liability has been recognised to reflect the present value of agreed contributions, the Authority confirms that the restatement is appropriate. In addition, the Authority has restated the prior period Comprehensive Income and Expenditure Statement following a restructure during 2023/24 to ensure comparability with the current year. The Authority confirms that these restatements are appropriate.

### Information provided

6. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
7. All transactions have been recorded in the accounting records and are reflected in the financial statements.
8. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - members;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

13. The Authority confirms that:

- a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
- b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,
- have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 19 November 2025.

Yours faithfully,

[Section 151 Officer]

**Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'. Error! Reference source not found.

**Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of generalpurpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an

entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled, or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

### **Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.