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Audit Committee
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Audit Committee Update
Midlothian Council

June 2014

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and key accounting and auditing developments that may be relevant to the Audit Committee. We outline each section of the report below:

Our progress against the audit plan

The Committee considered our audit plan in March 2014. This section of the report provides an update of our progress to date relating to:

- The audit of charitable trusts
- Our work with the Local Area Network, in producing the Assurance and Improvement Plan for 2014-15.
- Our interim accounts fieldwork visit
- Audit Scotland's impact return on their Arms-Length External Organisations national report.

Our summary of Audit Scotland reports from January to April 2014

During the period, Audit Scotland published four reports as follows:

- the Local Government Overview Report in March 2014
- Procurement in Councils in April 2014
- Options Appraisal: are you getting it right? in March 2014
- Reshaping Care for Older People in February 2014

Relevant Grant Thornton research and publications from December 2013 to April 2014

During the period, we published the following reports:

- Understanding Local Government Accounts in Scotland, April 2014
- Tipping Point Review of local authority financial resilience 2013, February 2014
- Alternative Delivery Models in Local Government,

Emerging accounting and audit developments

We use this section to provide an update on accounting guidelines that may have an impact on our audit approach, or on the Council's financial statements. This section includes:

- Recognising your PFI/PPP liabilities
- Property, plant and equipment valuations
- Accounting for and financing the local government pension scheme
- Changes to the local government pension scheme

Contents

Progress against our audit plan

Progress to date

Work	Stage of completion	Issues arising
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	Complete	When we issued our audit plan in March 2014 we were unclear about the status of the Council's charitable trusts. Since then, we have confirmed that the Council has sought permission from OSCR to wind up all of the Trusts. There will therefore be no additional audit fees required in relation to this work.
Assurance and Improvement Plan Each year, we participate in the shared risk assessment and publication of Assurance and Improvement Plan as part of our work on the Local Area Network with other scrutiny partners.	Complete	We anticipate that the Assurance and Improvement Plan will be published in June 2014. The update reflects recent work carried out by local scrutiny partners, including our external audit work in 2013, Scottish Housing Regulator engagement, work on self-evaluation facilitated by the Care Inspectorate and national work carried out by Audit Scotland. The AIP concludes that overall the council continues to perform well in most areas. The council continues to demonstrate improvements in performance against the majority of service areas, but some outcome indicators within the SOA continue to present a challenge to the council and its partners. The LAN also note that not all of the targets have been met in the implementation of the Business Transformation change programme, which creates uncertainty about financial resilience.

5

Progress to date continued

Work	Stage of completion	Issues arising
Interim accounts audit Our interim fieldwork visit includes: •updating our review of the Council's control environment •updating our understanding of financial systems •review of Internal Audit reports on core financial systems •early work on emerging accounting issues •early substantive testing	In progress	We have completed our work on the Council's financial control environment, including detailed testing on the areas where we have identified a higher level of risk: •Payroll •Operating Expenses •Housing Revenue Account •Benefit Expenditure No matters have arisen that we require to report to the Committee, but we will highlight one minor area for improvement to management, relating to payroll internal controls. We have agreed with the Finance Team that we will hold early discussions on the accounting treatment relating to the Newbyres housing development, and soft loans, during June 2014.
2013-14 Impact reporting Each year, we are required to consider the impact of recent Audit Scotland national reports. During 2013-14, we have been asked to follow up the following reports, using a data gathering questionnaire: •Arms-Length External Organisations (ALEOs) •Major Capital Projects	In progress	We report on the ALEOs follow up work on page 7 of this report. The Council is in the process of winding up the current ALEO, Pacific Shelf 826 Ltd. We anticipate that our work on Major Capital Projects will be completed in the summer and reported in our Annual Audit Report in October 2014.

Arms Length External Organisations

Findings from our 2013-14 targeted follow up work

About the report

Audit Scotland's report *Arm's-length external organisations (ALEOs): are you getting it right?* was published in June 2011, and was the second in their 'how councils work' series.

ALEOs are now an established part of local government in Scotland and play an increasing role in service delivery. Councils across Scotland use ALEOs to deliver a wide range of activities such as leisure services, economic development and property maintenance.

Increasing budget pressures and service demands mean that councils must review their services and consider options that may better meet the needs of service users and citizens, and offer improved value for money.

ALEOs may provide an option to help reduce costs or to improve services (Our report, summarised on Page 17, on Alternative Service Delivery Models highlights a number of successful case studies). ALEOs may qualify for business rates relief, attract grants or may be able to trade to generate income. ALEOs can also offer different and better ways of providing services and can make services more accessible.

While the ALEO takes on responsibility for service delivery, the council remains responsible for ensuring that the ALEO uses the public funds the council provides to the ALEO properly and can demonstrate best value. It is therefore important for the council to be able to 'follow the public pound' to the point where it is spent. This requires well-thought-through governance arrangements from the outset and action to ensure those arrangements are applied effectively in practice.

Audit Scotland has asked us to complete a follow up review of the June 2011 report. This work has been scheduled in time to learn lessons from a recent follow up statutory report into the Caithness Heat and Power ALEO (http://www.audit-scotland.gov.uk/docs/local/2014/sr_140109_chap.pdf) where the Controller of Audit highlighted a substantial loss of public money caused by significant deficiencies in the governance of the project. This follow up review is therefore intended to provide the Commission with information on the extent and nature of the use of ALEOs across local government in Scotland, and a review of the effectiveness of governance arrangements.

Findings at Midlothian

Our follow up work at Midlothian Council was limited. The Council has one ALEO, which meets Audit Scotland's criteria for the follow up review, Pacific Shelf 826 Ltd. This body was created for land acquisition and development, acting as a land agent and promoting economic development. However, at the time of our review it was dormant and being wound up.

We will report back to the Audit Committee on Audit Scotland's findings on the extent and effectiveness of the use of ALEOs elsewhere in Scotland, to inform future option appraisal and service review processes.

We will also consider internal audit's findings on wider 'following the public pound' arrangements at the Council, as part of our governance work.

Audit Scotland Reports
January – April 2014

Local Government Overview Report

Audit Scotland's Overview Report was published in March 2014, and reflects all the local government audit work undertaken in 2013. The report outlines the Accounts Commission's key priorities for councils and councillors in 2014. We summarise the key findings over the next 2 pages:

1

The councillor role is crucial in meeting the challenges in 2014 and beyond

Councils continue to operate in challenging financial circumstances, and against a backdrop of increasing public expectations and demands on services. Demographic pressures and the impact of welfare reform present uncertainties about the future financial health of councils.

Councillors draw on views from local communities to set policies, and hold officers to account for the implementation of policies and for keeping communities informed about service changes and performance. To be able to perform this role effectively, councillors need robust information on performance and on the costs of current service activities. Officers need to present councillors with sufficient, well-researched and presented information to support effective decision-making.

2

Governance is more important than ever

The financial circumstances mean that the principles of good governance are more important than ever.

Audit committees have a key role to perform in providing a focus on financial control and managing the risks to the council's strategic objectives.

Audit committees therefore need to know how services and resource management work across the council, and be prepared to ask challenging questions of officers. They also need to scrutinise reports from auditors and receive assurances from officers that weaknesses in financial and governance systems are addressed.

Management restructures and significant changes in the role of officers need to be managed effectively to ensure continuity of leadership and governance.

3

The level of 'free' reserves has fallen, with councils predicting future funding gaps

The report highlights that all councils managed to balance their finances and most identified underspends at the end of 2012-13. All 2012-13 local government financial statements were signed off by auditors without qualification.

Across the sector, uncommitted, or 'free' reserves fell in 2012-13 for the first time in recent years, from £334m in 2012, to £312m in 2013, a reduction of 6.7%. In Midlothian, uncommitted reserves reduced from £6.9 million to £6.4 million between 2012 and 2013. Current projections suggest that this balance will increase in 2014, partly as a result of a net underspend against budget.

The report also notes that few councils have longer-term financial plans, beyond a four-year period, with full explanations of the assumptions and risks underpinning projections.

4

There is increased evidence of political tensions and strained working relationships

Reduced budgets mean that choices and decisions on future services are increasingly difficult. The referendum on independence is the main political issue and means heightened political activity for all parties and councillors.

The report notes that the best performing councils are able to identify when to set aside political differences and work on a constructive basis. In these councils, councillors from all political groups generally agree on the overall priorities for the area, with debate focusing on how best to deliver them.

5

Councils continue to work with their partners to meet the challenges of significant service reforms

Councils are at various stages in preparing for health and social care integration. The report notes that it is essential that services are able to work well together to respond to needs while making the best use of existing resources.

Achieving more from Community Planning Partnership working requires strong leadership, more effective governance and clear priorities for the use of shared resources in the area.

The Scottish Government has also brought forward additional proposals in the Community Empowerment Bill that may lead to changes in the relationship between councils and communities, for example by jointly participating in new models of service delivery.

Procurement in Councils

In April 2014, Audit Scotland published its national study on procurement in Scottish local government. The report follows the Scottish Government's March 2006 report Review of Public Procurement in Scotland (the McClelland Report) and Audit Scotland's 2009 report, Improving Public Sector Purchasing. We summarise the key findings below:

1

Councils spend over £5.4 billion on goods and services each year

The spending is diverse, but over half of this spend is on construction costs, and spend on social care.

In 2008, councils set up Scotland Excel as a shared service funded by its members. It provides a centre of procurement expertise for councils and works with them to raise standards. It also develops and manages a range of collaborative contracts for goods and services.

Since 2006, Scottish Government and Scotland Excel initiatives including the Procurement Capability Assessment, establishment of the Public Contracts Scotland website and Scottish Procurement Information Hub have led to significant changes in councils' procurement practices.

2

Councils' average procurement capability assessment score has increased from 22% in 2009 to 56% in 2013

In 2009, Procurement Capability Assessments (PCA) were introduced as an improvement tool to assess all public bodies' purchasing activity. Scotland Excel carries out the PCAs annually with each council and supports them with the development of their improvement plans.

In common with other councils in Scotland, Midlothian Council's PCA score has increased year on year, and now stands at 60%, against a national average of 56%.

3

Procurement savings are estimated to exceed £71 million in 2012-13

The use of collaborative contracts has increased by over 80% over the past three years, to £503m, but this accounts for only 9.3% of total council procurement spend.

Many councils are relying on procurement to generate savings to meet budget pressures, but the report finds that some savings calculations may not be reliable, and that further savings are possible if councils make greater use of collaborative contracts.

In addition to developing an overall procurement strategy, Audit Scotland note that it is also important that councils develop a strategy for purchasing in a particular service, for example social care or construction. Midlothian is one of only 5 councils in Scotland that perform well in this area, with strategies accounting for over 90% of spend.

Options appraisal: are you getting it right?

Audit Scotland published the seventh publication in the 'How Councils Work' series in March 2014. The report aims to stimulate discussion among councillors and managers to support change and improvement. The report includes checklists for councillors and officers to consider in option appraisal exercises. We summarise the key findings below:

1

Councillors have to make difficult decisions about where to focus the council's resources

In the financial climate, councillors must be confident that the council is providing the right services in the right way.

Everything a council does has its roots in legislation. Some services are more prescribed in legislation than others, but prescription is relatively limited and councils retain substantial discretion on how services are delivered and by whom.

Councillors need to be open to considering a broad range of options for delivering services. This might involved providing services in a different way, or even not providing some services at all. These are difficult decisions are they affect residents and customers, partner organisations and council staff.

2

Councils need to assure themselves that the services they are providing offer value for money and demonstrate Best Value through continuous improvement

Councils need to critically assess current service arrangements and consider how services are provided by other councils and other organisations.

A robust options appraisal process helps provide assurance to councillors and the public that these difficult decisions are being made on a sound basis and by considering all relevant information, including quality, cost and risk.

Councillors have an important role in asking officers challenging questions to assure themselves that the appraisal is robust and that all the relevant issues are being considered.

3

Councils need to define the objectives of any options appraisal process

Options appraisal can be carried out for a number of reasons, including providing services in a different way to better meet the needs of residents, making existing services more effective, or to make savings to provide resources for other, higher-priority areas. Councils need to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.

Following the decision, councillors must scrutinise the implementation of the decision and the impact it has on service delivery. This can be achieved by monitoring performance and the delivery of service objectives on a regular basis.

Reshaping care for older people

In 2011-12, councils and NHS Boards spent approximately £4.5bn on care services for older people in Scotland. In 2010, the Scottish Government and COSLA launched *Reshaping Care for Older People* (RCOP) to improve the quality and outcomes of care and to help meet the challenges of an ageing population. Audit Scotland's report, published in February 2014, reviewed progress with the RCOP three years into a ten year programme. We summarise the key findings below:

1

Strong national and local leadership is needed to take this significant agenda forward

Reshaping Care for Older People is a complex programme of major transformational change affecting most health and social care services. The programme is supported by the Change Fund, which allocates £300m to local services over a 4 year period.

The report found that there is little evidence of progress in moving money to community-based services and more needs to be done to target resources on preventing or delaying ill health and on supporting people to stay at home. Key barriers to change include a lack of data on community health and social care services.

To implement RCOP successfully, partners need to make better use of data, focus on reducing unnecessary variation and monitor and spread successful projects.

2

Demand for services is likely to rise due to demographic changes, but less money is likely to be available to pay for services.

The Scottish Government predicts that spending on care for older people will need to rise from £4.5bn in 2011-12 to £8bn in 2031. Current service models are therefore unsustainable in the longer term.

The Change Fund represented 1.5% of all spending on older people in 2011-12 and has led to the development of a number of small-scale initiatives. The Fund has been successful in bringing together NHS Boards, councils and the third and private sectors to develop and agree joint plans to improve care for people in their local area.

However, the report found that initiatives are not always evidence-based, or monitored on a ongoing basis, and it is not clear how successful projects will be sustained and expanded.

3

Progress has been slow in improving the quality of care for older people and in providing services in a joined up way

In addition to implementing RCOP, NHS Boards and councils must implement other national policies including the integration of health and social care services, policies focused on specific conditions such as dementia, and wider policy developments such as housing, lifelong learning and transport.

The report found that national performance measures have not kept pace with policy changes and that a greater focus on outcomes is needed. There is no clear national monitoring to show whether the policy is being implemented successfully and what impact this is having on older people.

Grant Thornton research and publications December 2013 – April 2014

Understanding Local Government Accounts in Scotland

Increasing the quality of financial scrutiny

Introduction

Audit Scotland's overview report (pages 9-10 of this report) notes the crucial role that councillors play in scrutinising reports from officers on the financial position. Our annual local government governance reviews continue to highlight concerns that annual accounts are too complex, too technical and often difficult to understand.

Over a third of our survey respondents say that they do not find their council's annual accounts helpful in explaining its financial position. Similarly, only one third feel that the annual accounts document is aimed at the public.

This publication has been written to help members of local authority audit committees understand the financial statements and discharge their responsibilities as they review the accounts, supporting notes and other statements.

We recognise that the inherent complexity of council accounts limits their usefulness to non-expert readers.

The guide:

- explains the key features of the primary statements and notes that make up a set of financial accounts
- includes key challenge questions for members of the audit committee to consider, and help officers explain the financial position clearly.

Tipping point 2013: Challenging the current

79% of Councils in England anticipate a tipping point soon

Introduction

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

We consider the findings, and their implications for Scottish local authorities.

Background

The Chancellor of the Exchequer announced the 2010 spending review (SR10) to parliament in October 2010. The savings introduced in the four year SR10 period represent the largest reduction in public spending since the 1920s. Revenue funding for English local authorities is to reduce in real terms by 28% by 2014-15 (excluding schools, fire and police).

Financial austerity is expected to continue until at least 2017. The funding reductions come at a time when demographic and recession-based pressures are increasing demand for some services, such as social care, housing and benefits advice.

Our Findings

Our analysis found that English local authorities have so far met the challenges they face, but these challenges are set to increase and authorities will have to work harder to ensure they stay financially resilient. Some authorities are predicting reaching a 'tipping point', when the pressure becomes acute and financial failure is a real risk.

Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015-16 or 2016-17.

Our report also suggests some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Key lessons for Scottish Councils

The report contains a checklist for members and officers which includes:

- Regular monitoring of key indicators of financial performance
- A focus on achievement of corporate priorities is evident through the financial planning process
- There is regular review of Medium Term Financial Plans and the assumptions within it
- Zero based/Priority based budgeting is used to improve strategic prioritisation during the financial planning cycle
- Officers understand the financial implications of current and alternative policies, programmes and activities
- There is engagement with stakeholders, including budget consultations
- Budget profiles are accurate and regularly monitored.

Alternative delivery models in local government

Are you making the most of them?

Introduction

This report: http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/ discusses the main alternative delivery models available to local government. These are based on a recent survey and work with local government clients.

The report aims to assist others as they develop their options and implement innovation strategies. It outlines the main alternative delivery models available to local authorities and considers key aspects of risk.

Background

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities.

With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

Key findings

The report contains a number of case studies outlining the use of alternative delivery models in local government. One significant change that the report highlights is the establishment of care partnership trusts in England to provide a single point of adult health and social care delivery. They take on the service delivery responsibilities of the local government and the NHS, and we were therefore interested in the comparability with Scottish Integrated Health and Social Care Partnerships.

Case Study: Staffordshire and Stoke-on-Trent Partnership NHS Trust

This partnership was established in September 2011. It serves a population of 1.1m people, and employs around 6,000 staff.

From 1 April 2012, it took on responsibility for the delivery of adult social care services from Staffordshire Council and is now responsible for the provision of health and social care across Staffordshire (outside Stoke-on-Trent). It is the largest supplier of integrated health and social care in the UK and has an annual turnover of around £350m.

In the first 12 months, its focus was on:

- Refining its vision, values and goals
- establishing clear and robust risk, performance and financial management arrangements
- establishing clear and robust arrangements for overseeing service quality and safety.

Particular challenges in the first year were around the provision of regular activity, performance, financial and quality information. In particular, the trust has had to resolve differences in approaches to performance and financial management and reporting.

It is now focusing on establishing new models of care and transforming adult services as it moves to full integration of its teams and services.

Reaping the benefits

The impact of welfare reform so far on councils and housing associations

Introduction

'Reaping the benefits' http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/ provides an early insight into the current impact of welfare reform on local authority and social housing organisations.

Based on feedback from a client survey and conversations, it focuses on:

- the governance and management arrangements being put in place nationally across the two sectors to deliver reform
- the early signs of how successful the reforms have been and the upcoming issues
- risks on the reform agenda in the wider context of social impact.

Our Findings

So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. Our report found evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders. This echoes our local findings in Midlothian, where we noted effective planning and communication arrangements, co-ordinated by a Corporate Welfare Reform Working Group.

The report did, however, note that nationally:

- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- It seems clear that the full impact of reform has yet to be felt, and there is an element of calm before the storm

Our report also notes early signs of stress connected to the reforms that include: rental arrears on the rise; direct payments contributing to increased arrears; reports of rising homelessness; and bedroom subsidy reform not triggering significant movement.

Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Audit Scotland has recently issued a survey to all Councils seeking information on the impact on rental income after the first year of welfare reform. The survey results are due to be circulated in summer 2014, and we will therefore report on the outcomes in our final audit report. in October 2014.

Accounting and audit guidance

Recognising your PFI/PPP liabilities

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

past inflation – previous price rises will be built into future payments

fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

We will review:

- Any updates that the Finance Team make to the accounting model
- Whether the Council has disclosed the impact of past and future inflation on its commitments
- Whether the Council has disclosed the fair value of its PFI liability within the financial statements

Property, plant and equipment valuations

The 2013-14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

We will review:

- The Council's programme of valuations and the proposals for disclosing information about classes of assets

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013-14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively. The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

We will review:

- The information that the Council receives from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)
- Any proposals the Finance Team develop if your authority considers making an early payment to the pension fund.

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