

AUDIT COMMITTEE

Thursday, 14 June 2018

6.00 pm

Committee Room 1, City Hall

Membership: Councillors Geoff Ellis (Chair), Sue Burke (Vice-Chair), Thomas Dyer, Jim Hanrahan, Laura McWilliams, Gary Hewson and Ronald Hills

Independent Member: Jane Nellist

Officers attending: Rob Baxter, Democratic Services, Jaclyn Gibson, Pat Jukes and John Scott

A G E N D A

SECTION A

Page(s)

A TRAINING SESSION WILL BE HELD IMMEDIATELY PRIOR TO THE START OF THIS MEETING AT 5.00PM IN RELATION TO THE STATEMENT OF ACCOUNTS. TEA AND COFFEE WILL BE AVAILABLE FROM 4.45PM

1. Confirmation of Minutes - 27 March 2018 **3 - 12**
2. Declarations of Interest

Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.
3. Annual Governance Statement 2017/18 **13 - 32**
4. Draft Statement of Accounts 2017/18 **33 - 182**
5. Annual Internal Audit Report 2017/18 **183 - 200**
6. Internal Audit Progress Report **201 - 238**
7. Fraud and Error Update Report (2017/18) 12 Months **239 - 250**
8. Audit Committee Work Programme 2018/19 **251 - 256**

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Present:	Councillor Tony Speakman (<i>in the Chair</i>)
Councillors:	Thomas Dyer, Geoff Ellis, Jim Hanrahan, Gary Hewson, Ronald Hills and Jackie Kirk
Independent Member:	Jane Nellist
Also in Attendance:	Mike Norman, KPMG
Apologies for Absence:	None.

41. Confirmation of Minutes - 13 February 2018

RESOLVED that the minutes of the meeting held on 13 February 2018 be confirmed.

42. Matters Arising

The Chair referred to the Draft External Audit Plan which had been deferred from the last meeting and still remained unavailable.

Mike Norman, representing KPMG, updated members of Audit Committee in respect of the External Audit Plan covering the following main points:

- There had been some issues with regard to the external audit timetable
- In June 2016 EU Audit legislation affected organisations with tradeable listed debt. It transpired that this authority possessed 1919 3% redeemable stock, although not traded since 1972. this stock was subject to an annual valuation.
- KPMG as external auditor for this authority needed to carry out an engagement partner review in this respect to report into the External Audit Plan, although it was not a fundamental issue.
- There were no additional risks, only amendments to wording and governance arrangement checks.
- One specific requirement was an expectation that one member of Audit Committee must be competent in Accountancy/Auditing procedures.
- Our Independent Member, Jane Nellist had the necessary qualification, however, it was necessary to clarify the legal position regarding her status as an independent member

The Chair advised the need to have a clear understanding of the legal position moving forward. He confirmed that he was happy for Jane Nellist to represent Audit Committee as an independent member with Accountancy knowledge on the board.

RESOLVED that the Draft External Audit Plan 2018/19 be circulated to members within the next week or so inviting comments before the next meeting of Audit Committee on 14 June 2018.

43. Declarations of Interest

Councillor Jim Hanrahan declared a Disclosable Pecuniary Interest with regard to the agenda item titled 'IAS19 - Assumptions Used to Calculate Pension Entries in the 2017/18 Statement of Accounts'.

Reason: He was in receipt of a Council pension.

44. Annual Governance Statement Monitoring

Pat Jukes, Business Manager, Corporate Policy:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2016/17 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS
- c. reported on the key actions scheduled to be implemented over the coming months as detailed at Appendix A to the report, to be reviewed by the Service Manager's Group as well as the Audit Committee, covering the following main areas:
 - Information Management
 - IT Disaster Recovery
- d. highlighted two areas, Partnership Companies and Risks around compliance to the Lincoln Project Management Model, which although not considered as significant issues required a retained focus, as detailed at Appendix A to the report
- e. requested that members of Audit Committee give consideration to the content of her report.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

45. Information Management Update

Sally Brooks, Information Governance Officer:

- a) presented an update on progress in relation to information management, and in particular the General Data Protection Regulation (GDPR) Vision 2020 project
- b) advised that the Information Commissioners Office (ICO) set out the framework for the Council to work in to ensure compliance with the Data Protection Act 1998 ('DPA') and the General Data Protection Regulation which would come into force on the 25 May 2018, also the forthcoming Data Protection Bill due to replace the DPA in April/May 2018
- c) reported on progress made by the Information Governance Officer in relation to the Data Protection training programme, GDPR Working Group, GDPR Action Plan and information management, as detailed within paragraphs 2/3/4 of the report and Appendix A
- d) reported on fewer breaches in recent months, none having resulted in sanctions from the IGO
- e) outlined the GDPR fee structure, noting that the Data Protection Officer post required under the GDPR was now in the process of being recruited

- f) confirmed the Annual Governance Statement (AGS) status for the Information Governance section currently at amber, work on implementation of the GDPR would be reviewed in due course to see whether the Council might improve this status
- g) requested members' feedback on the content of the report.

Members discussed the content of the report in further detail.

The Chair offered the continued support of Audit Committee as and when required to help achieve necessary actions for the implementation of GDPR.

Sally Brooks, Information Governance Officer, thanked members for this offer of assistance, highlighting that some aspects of the work may not be complete by 25 May 2018, adding that Assistant Directors had asked for a regular update up to that point.

Members queried whether this authority would be responsible for breaches of data protection in relation to the North Kesteven District Council shared benefit service?

Sally Brooks, Information Governance Officer, emphasised the importance of being clear we were joint controllers of data in this respect. It would depend upon the area where the breach occurred as to who would be responsible. Transparency in the public domain was vitally important. Data breach insurance would be available once the legislation was enforceable from 25 May 2018.

Members asked whether officers were working with partners to ensure shared data was GDPR compliant.

Sally Brooks, Information Governance Officer confirmed that information sharing agreements, data protection impact assessments were required to ensure partners cooperated in respect of information sharing requests.

RESOLVED that:

1. Audit Committee's continued support to information management work being actioned by officers be recorded, together with recognition of the importance of the GDPR legislation for the Council and individuals whose data we held.
2. The content of the officer's report including progress with the internal GDPR Working Group and action plans be noted.

46. Risk Management - Annual Update

Rob Baxter, Interim Chief Finance Officer:

- a. reported on the risk management framework adopted by the council and risk management activity during 2017/18
- b. advised that the Council's Risk Management Strategy, presented tonight for members information, had recently been reviewed based on a risk appetite methodology approach to the management of the Council's risks to reflect the environment in which it operated

- c. advised that a key element of the Council's management of its risks involved the development and monitoring of the key strategic risks which could affect the Council's ability to achieve its priorities during the year; the Council's Strategic Risk Register currently identified seven strategic risks as detailed within the report and associated appendices
- d. outlined the framework of the risk management strategy in further detail, covering the following main topic areas:
 - Risk Management Strategy
 - Formulation of the Strategic Risk Register (Appendix A)
 - Formulation of the Directorate (Operational) Risk Registers
 - Risk Advisory Group
 - Training
 - Risk Management Benchmarking
 - Greater Lincolnshire Risk Management Group
 - Internal Audit
- e. reported that an Internal Audit undertaken during 2017/18 of the Council's risk management arrangements had concluded there was substantial assurance that the Council had effective risk management arrangements in place
- f. requested members' consideration on the content of the report.

Members considered the report in further detail.

Jane Nellist, Independent Member, referred to the current economic climate which impacted on retailers in the city in terms of outturn. This was a potential risk to the council in terms of income from business rates going forward. She suggested that this risk be included within the strategic risk register.

Rob Baxter, Interim Chief Finance Officer, agreed to include additional text within the Strategic Risk Register to cover management of risk to business rate income.

RESOLVED that:

1. Additional text be included at Item 4 within the Strategic Risk Register to reflect management of risks to business rate income as detailed above.
2. The risk management framework adopted by the Council and the risk management activity undertaken during the year be noted.

47. Statement of Accounting Policies 2017/18

Rob Baxter, Interim Chief Finance Officer:

- a. presented for consideration the Council's accounting policies, used to prepare the 2017-18 Statement of Accounts, as detailed at Appendix 1 of his report
- b. advised that each year the content of the accounting policies was reviewed to ensure it reflected the requirements of the Code of Practice on Local Authority Accounting, based on International Financial Reporting Standards (IRFS) and that it remained relevant to the Council

- c. reported that other than minor wording amendments highlighted within Appendix 1 to the report, accounting policy 12 had been extended to include Community Infrastructure Levy (CIL), which the Council had elected to change from 5 February 2018
- d. requested that members review and note the Accounting Policies to be used for the 2017/18 accounts.

RESOLVED that the Accounting Policies to be used for the 2017/18 accounts be noted.

48. External Audit Inquiries - 2017/18 Statement of Accounts

Rob Baxter, Interim Chief Finance Officer:

- a. presented a report to inform members of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the Council's Statement of Accounts for 2017/18 and to allow members to comment on the response related to 'Those Charged with Governance'
- b. requested members' views on the proposed response submission to the inquiries sought by the Council's external auditors, KPMG
- c. invited members' questions and comments.

Jane Nellist, Independent Member, queried whether the need for a qualified accountant and the fact that it was currently her as an Independent Member be included within the responses made and also be included within the Constitution of the City of Lincoln Council once finalised.

Mike Norman, representing KPMG, suggested that a record be made in the responses under 'compliance with laws and regulations' that Audit Committee had discussed the above matter.

Jane Nellist commented that Directorates and Managers were responsible for identifying and responding to emerging legislation, in addition to internal audit's review of emerging legislation

Rob Baxter, Interim Chief Finance Officer agreed to make amendments as appropriate.

RESOLVED that:

1. A record be made in the External Audit Inquiries responses under 'compliance with laws and regulations' that:
 - Audit Committee had considered the implications of the EU PIE requirements on its role, understood what was required and was taking steps (along with its External Auditor) to ensure the requirement arrangements were put in place.
 - A further record be made to this effect within the Constitution of the City of Lincoln Council once finalised.

- Directorates and Managers were responsible for identifying and responding to emerging legislation and complying with the legal and regularity framework
2. The proposed responses to the inquiries to those charged with governance for the 2017/18 Statement of Accounts be submitted.

49. Review of the Constitution - Financial Procedure Rules

Robert Baxter, Interim Chief Finance Officer:

- a. presented to Audit Committee the revised Financial Procedure Rules and associated amendments required to the Constitution for consideration and recommendation for adoption by Council, as detailed at Appendix A to the report
- b. highlighted that The Financial Procedure Rules provided a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972
- c. reported that the last fundamental review took place in 2010, as approved by Council on 9 December 2010, with subsequent updates to reflect necessary changes
- d. advised that the changes now required would ensure officers had the flexibility to respond to the changing environment in which the Council now operated, taking into account the launch of the Council's Vision 20290, the restructure of senior management in 2016 and the recent outcomes of the Corporate Peer Challenge, to ensure the Financial Procedure Rules remained robust and relevant to the current organisational environment.

Members discussed the content of the report in further detail.

A motion was proposed and seconded that changes to paragraph 7.1.5 of Financial Procedure Rules amending fees and charges be updated to read:

*"In such circumstances the relevant Assistant Director has the discretion to amend the set fees and charges by +/- 50% for any individual fee, after consulting with the relevant Portfolio Holder Such an occurrence shall be reported to the **Executive at the earliest opportunity.**"*

An amended motion was proposed and seconded that changes to paragraph 7.1.5 of Financial Procedure Rules remained as the status quo without any changes as follows:

"In such circumstances the relevant Assistant Director has the discretion to amend the set fees and charges by +/- 50% for any individual fee, after consulting with the relevant Portfolio Holder. Such an occurrence shall be reported by the Assistant Director to full Council at the earliest opportunity."

The amended motion was put to the vote and carried.

RESOLVED that the revised Financial Procedure Rules as detailed at Appendix A to the report subject to the amendment at paragraph 7.1.5 detailed above be recommended to Council for approval.

50. IAS19 - Assumptions Used to Calculate Pension Entries in the 2017/18 Statement of Accounts

(Councillor J Hanrahan left the room during the discussion of this item, having declared a Disclosable Pecuniary Interest in the matter to be discussed.)

Rob Baxter, Interim Chief Finance Officer:

- a. presented a report to allow the committee to consider the assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts
- b. advised that IAS19 represented the accounting standard for pension costs, based on the simple principle that an organisation should account for retirement benefits when it was committed to give them
- c. informed members that in order to calculate the costs of earned benefits for inclusion in the statement of accounts, the scheme actuaries used assumptions to reflect expected future events which led to best estimates of future cash flows arising under the scheme liabilities
- d. advised that the council planned to use the calculated costs and the underlying assumptions, based upon the specialist advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2017/18
- e. detailed further financial and demographic assumptions at paragraph 3 and 4 of the report and relevant financial implications at paragraph 5 of the report
- f. requested that Members approve the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts.

Members discussed the content of the report in further detail.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts be approved.

51. Internal Audit Plan 2018 - 19

(Councillor Hanrahan re-joined the meeting.)

John Scott, Audit Manager:

- a) presented for consideration and approval the Internal Audit Plan and Strategy 2018-19, as detailed at Appendix A to his report
- b) drew members' attention to the areas proposed for auditing

- c) advised that minor variations to the plan may be approved by Management on a risk basis; whilst any major changes would be reported via the Audit Committee in accordance with agreed terms of reference the intention however was to remain reactive responding to changing circumstances or emerging risks during the year
- d) highlighted that it was likely that Housing Benefit Subsidy claim work would be completed by Internal Audit again during 2018-19, therefore an allocation was included within the plan
- e) reported the only changes from the draft plan incorporating HR work based learning, HR people strategy remaining with resources to be assessed in-year for this, and equality and diversity programmed for 2019/20 however a management assurance report would be provided during 2018/19
- f) invited members' questions and comments.

RESOLVED that the Internal Audit Plan 2018-19 be approved.

52. Internal Audit Progress Report

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period January – March 2018, as detailed at Appendix A
- b. highlighted that Audit Committee had the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of the Code of Practice for Internal Audit in Local Government
- c. advised that the report covered the following main areas:
 - Progress Against the Plan
 - Summary of Audit Work
 - Implementation of Audit Recommendations
 - Current Areas of Interest Relevant to the Audit Committee
- d. reported on audits carried out in the following areas given assurances as follows:
 - Asset Acquisition (Substantial)
 - Car Park Income (Substantial)
- e. reported on other significant work ongoing, audits currently in progress, high priority recommendations completed, due, and overdue, medium priority outstanding recommendations due and not yet due as at 15 March 2018, contents of the Audit Plan Schedule, performance information against targets for the 2017/18 audit year at 28 February 2018, other work in progress and matters of interest as detailed within the report and associated appendices
- f. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail.

The following questions emerged:

- Question: In relation to the audit of asset acquisition, was an expected return level set based on investment in the money market or at a set figure?
- Response: The suggestion was there should be a minimum percentage of return after financing costs. Return was not based on a set percentage, the challenge was whether an asset met the criteria first followed by each investment being evaluated on its own merits.
- Question: Would considerations of due diligence be brought before this committee?
- Response: No. An assessment as to whether to buy the asset would be taken in the first place.
- Question: In relation to the audit of housing repairs new stores contract due to commence July 2018, why was its current status rated as limited assurance?
- Response: This was due mainly to work required between the Council and the service operator on updating service information. Servitor was due for an upgrade following review of the Choice Based Lettings Policy.

RESOLVED that the contents of the report and continuation of further monitoring arrangements be noted.

53. Combined Assurance Report

John Scott, Audit Manager:

- a. presented the combined assurance report which grouped the different sources of assurance in a single model to provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisation's assurance status and needs, detailed at Appendix A
- b. summarised the assurance levels for different areas of Council business
- c. provided the key message out of the 212 areas of critical services/systems, projects and risks:
 - 172 had green assurance (81%)
 - 33 had amber assurance (15%)
 - 7 had red assurance (4%)
- d. advised that overall percentage assurance ratings had changed slightly compared to 2016/17
- e. reported that consideration should be given to Red or Amber areas for the Annual Governance Statement and the 2018/19 internal audit plan
- f. highlighted that this was a positive report showing an improved assurance position with plans in place to mitigate amber/red assurance areas
- g. invited members' questions and comments.

Members discussed the content of the report in further detail.

RESOLVED that the content of the Combined Assurance report be noted.

54. Fraud Risk Register

John Scott, Audit Manager:

- a. presented a report to provide Audit Committee with an updated fraud risk register for consideration, as detailed at Appendix A
- b. advised that the register containing 24 risk areas had been developed in conjunction with Assurance Lincolnshire partners, who had also recently updated their own registers, covering specific service based fraud risks, e.g. Council Tax or Tenancy, and other more general risks such as contracting/contract management, procurement, payments, income collection, payroll/employees, IT/data, theft/asset misuse, bribery and corruption which could apply corporately
- c. reported that in most areas risks were Green and there were a small number of Amber risks (five in total), with some mitigating actions to consider/complete which would be brought back to Audit Committee for monitoring purposes between reviews
- d. advised that the register would be circulated to Assistant Directors and Service Managers; CMT were satisfied with the review/mitigation/action plans
- e. requested members' feedback on the content of the report.

Members discussed the content of the report in further detail.

RESOLVED that the content of the latest fraud risk register be noted.

55. Audit Committee Work Programme

John Scott, Audit Manager, presented a report to inform members of Audit Committee on the work programme for 2018/19 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2018/19 be noted.

56. Other Matters

Councillor Speakman thanked members and officers for their assistance during his term as Chair of Audit Committee. He wished everyone good luck for the future, this being his final Audit Committee meeting prior to his retirement from office.

John Scott, Audit Manager thanked Tony for all his help over the years on behalf of all members and officers and wished him a very happy retirement.

SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2017/18
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	PAT JUKES, BUSINESS MANAGER, CORPORATE POLICY

1. Purpose of Report

1.1 To inform Audit Committee that the Annual Governance Statement (AGS) has been signed off by the Leader and Chief Executive as of 25th May 2018.

2. Main Body of Report

2.1 The AGS is completed annually, with a retrospective look back at how our governance plans worked in the previous year – in this case 2017/18

2.2 A senior officers group consisting of City Solicitor, Chief Finance Officer, Assistant Director, Strategic Development, Finance Manager and Audit Manager has reviewed the levels of governance assurance provided for all services and projects, looking at a range of things from Internal Audits results, identified risks, to performance outturn.

2.3 As part of the AGS, there is included a range of things that the council has completed/achieved in 2017/18 as well as some key things that it intends to pursue during 2018/19. This has been completed with the assistance of Assistant Directors

2.4 The key documents are all attached with this report – they are:

1. The final AGS itself, signed officially by the Chief Executive and the Leader on May 25th
2. Appendix A – The monitoring form, which comes to Audit Committee once a quarter with an update on progress of each defined issue and ones to watch
3. Appendix B – A glossary of terms used in the AGS

2.5 In summary the changes from 2016/17 to 2017/18 are:

Issues that have been significantly progressed and have been removed:

- IT disaster recovery: Arrangements to cover major events are well underway with a secondary ICT location established and tested and fully functional at Hamilton House. A draft ICT Disaster Recovery Plan has been written and is now being tested against Corporate Business Continuity plans. The final plan needs to be agreed by the Business Continuity Group to complete this exercise.

One current significant issue will remain a focus for 2018/19

- **Information Management:** During 2017/18 significant progress has been made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR) by the implementation date in May 2018. However there remain a number of areas still in progression and due to the seriousness of non-compliance, until these are completed, this area will remain a significant issue

2.6 New significant issues identified

There are no new areas designated as significant issues.

2.7 Other areas to retain a focus on – not considered significant issues as yet

- The council has minimal experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.
- Project management monitoring arrangements have been reviewed, with the Strategic Plan Implementation Team having been replaced by the new Capital Programme Group and additional responsibilities for the Programme Boards. This will remain on the list of areas to watch through 2018/19 to ensure governance quality is maintained.
- Western Growth Corridor to ensure that effective governance is maintained as the project develops further
- Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions
- Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19

3. Strategic Priorities

This report supports the effective running and governance relating to ALL strategic priorities, but especially High Performing Services as it ensures our business will be conducted in accordance with the law and proper standards, in an open, honest and accountable manner.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable) – n/a

4.2 Legal Implications including Procurement Rules – The report is aimed at ensuring our business will be conducted in accordance with the law and proper standards, in an open, honest and accountable manner.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required) n/a

5. Risk Implications

5.1 (i) Options Explored – n/a

5.2 (ii) Key risks associated with the preferred approach n/a

6. Recommendation

6.1 Audit Committee are asked to review the contents of the Final Annual Governance Statement with a view to monitoring progress on the single issue and those areas designated as “ones to watch”

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? Three

List of Background Papers: None

Lead Officer: Pat Jukes, Business Manager
Telephone (01522) 873675

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ANNUAL GOVERNANCE STATEMENT (AGS) 2017/18

1 The council's responsibility for sound governance

1.1 Scope of responsibility

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised.

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control).

During 2016/17, City of Lincoln Council fundamentally reviewed its governance framework to reflect the new CIPFA/SOLACE Framework. The council updated its own Code of Corporate Governance and following a review of compliance in autumn 2017, updated this further in January 2018.

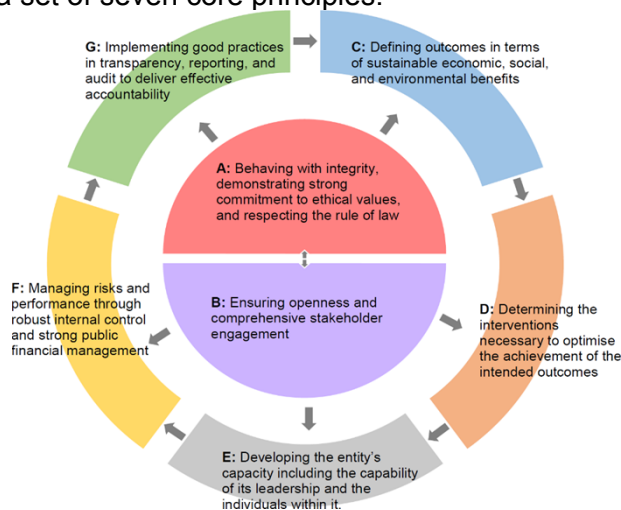
How we are meeting these defined responsibilities is detailed in the Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. www.lincoln.gov.uk

This Annual Governance Statement details how the city council has complied with its own Code of Corporate Governance over the last year and meets the statutory requirements for all relevant bodies to prepare such a statement.

For a glossary of terms used – see Appendix B

1.2 The new Code of Corporate Governance sets out the documentation, systems and processes by which the authority transparently controls its activities and defines its cultures and values. It enables us to monitor achievement of our strategic objectives and to consider whether these have led to the delivery of appropriate value for money services.

The code is based on a set of seven core principles:



1.3 Responsibility rests within a range of areas – the key ones are detailed in the table below:

KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK Key elements of the governance framework at City of Lincoln Council are summarised below:		
<p>Council, Executive, Leader</p> <ul style="list-style-type: none"> ❖ Provide leadership; set, develop and implement policy ❖ Ensure the Vision 2020 strategy is taken forward ❖ Develop, adopt and implement the budget framework ❖ Support the city's diverse communities and neighbourhoods to thrive 	<p>Leadership and decision making</p> <ul style="list-style-type: none"> ❖ All decision meetings held in public (except those identified as 'part B') ❖ Decisions recorded on the council's public website ❖ Resources directed according to priorities as set out in Vision 2020 	<p>Risk management</p> <ul style="list-style-type: none"> ❖ Risk registers identify both operational and strategic risks ❖ Strategic risks are considered by CMT and Executive every quarter ❖ Internal audit provides independent objective assurance
<p>Scrutiny and review</p> <ul style="list-style-type: none"> ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct 	<p>Corporate Management Team (CMT)</p> <ul style="list-style-type: none"> ❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT) ❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community ❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government (2015) ❖ The City Solicitor is the councils Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct 	



Outcomes, Vision, Value for Money

The council's governance arrangements underpin our strategic policies and plans to ensure that the council delivers effective, efficient services for its residents and other stakeholders. Vision 2020 (our new strategic plan) provides a clear vision for what is to happen in the period 2017-2020. It is complemented with the council's Annual Report which provides details on achievements each year towards the vision.

The council has a strong Medium Term Financial Strategy (MTFS) which delivers the best use of current assets, whilst also ensuring that the council maximises the use of available government grants

1.4 In the following sections, the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months.

1.5 **CORE PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Ethical values, standards and formal codes of conduct are defined in the council's constitution and form the basis for developing our policies, procedures and actions as well as for the behaviour of our members and staff. We have appropriate processes in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the staff rights. All council decisions consider legal and equality implications with support from Legal Services.

Our Audit Committee (which includes an independent member) provides assurance on the adequacy of the internal control environment, by ensuring high standards of conduct are embedded within the council's culture, monitoring governance issues raised and overseeing internal and external audit arrangements.

Activity within Principle A in 2017/18:

- An internal audit was undertaken in autumn 2017 to look at compliance with the council's code of corporate governance (CCG). As a result, some minor changes to the code were identified, including the inclusion of the Whistle Blowing Policy. The CCG was then updated and approved by Audit Committee in February 2018
- The council has new core values – to be approachable, trusted to deliver & innovative
- Counter Fraud Strategy/action plan and other counter fraud policies have been reviewed. The council is involved with the National Fraud Initiative and has a close working relationship with Department for Work & Pensions for Housing Benefit fraud.
- Completion of the information asset database within the 'IMPS' monitoring system
- Complete the review of the Financial Procedure Rules

Proposed activity for the coming year:

- Further counter fraud policies / strategies will be reviewed and updated and CF training will be rolled out through the year
- We will be undertaking counter fraud projects with the Lincolnshire CF team
- Continued progress on outstanding information management actions to meet GDPR
- Roll out of NetConsent – policy management and compliance system
- Member induction for those new Members elected in May 2018



1.6 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The council makes sure our partners, in the private, public and voluntary sector as well individual citizens and service users are engaged in and have full access to information relating to decisions made. We expect reports to decision makers to be open, provide all the necessary material to ensure informed decisions in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration.

Activity within Principle B in 2017/18:

- Businesses were engaged in a highly successful Growth Conference – March 2018
- Consultation was conducted in January 2018 on the proposed MTFS for 2018-23
- Consultation was conducted in December 2017 on the Council Tax Support Scheme
- The council has increased its use of social media to enhance its communications reach
- Completion and roll out of guidance for staff on best practice principles for consultation
- Workshops were held as part of the planning stages of the revitalisation of Sincil Bank, with the final results shared in a workshop in June 2017
- WGC – Lengthy consultation took place during 2017, with multiple focus groups over an extended period. As a result significant changes are to be made within the transport aspect, with further consultation taking place in 2018 on the revised proposals

Proposed activity for the coming year:

- The City of Lincoln is a partner in a group of voluntary sector organisations reviewing the Community Cohesion Strategy for Lincoln
- Housing will be undertaking the biennial STAR survey in late 2018
- Development of a Social Policy Conference in 2018/19 to seek partner views on a specific area of focus to be determined under the 'Let's reduce inequality' priority
- Development and roll out of a new Communications Strategy

1.7 CORE PRINCIPLE C: Defining outcome in terms of sustainable economic, social, and environmental benefits

Vision 2020 is a three year strategy and delivery plan, developed using an evidence base from the Lincoln City Profile and following wide consultation, with an inclusive vision to deliver Lincoln's ambitious future. It highlights four priorities for the city, acknowledging that the council cannot deliver everything needed by itself and must work in partnership and collaboration to achieve these ambitious plans. These are:

- ▶ Let's drive economic growth
- ▶ Let's reduce inequality
- ▶ Let's deliver quality housing
- ▶ Let's enhance our remarkable place

These are underpinned by the need to deliver 'Professional high performing services'

Progress towards achieving the vision, aligned with the key priorities, will be reported to and monitored by senior management and elected members. Service areas within directorates, and under the guidance of assistant directors, are responsible for delivering individual projects to agreed timescales and budgets, with consideration for economic, social and environmental benefits which collectively will achieve our priorities.



Together, let's deliver
Lincoln's ambitious future



Activity within Principle C in 2017/18:

- Approval of the MTFs which is a financial representation of the council's Vision 2020
- Completion of the Transport Hub which is now the 'Gateway to Lincoln'
- Implementation has started of the approved place strategy for Park Ward, highlighted as an area for regeneration. Three key strands of work are in planning stage.
- Completion of the Boutham Park project utilising Heritage Lottery funding
- A cross directorate group has been created with a focus on 'embedding sustainability into everyday working processes'
- Development of new Portfolio Holder responsibilities to align with Vision 2020

Proposed activity for the coming year:

- Plan to be developed for embedding sustainability over the next 3 to 5 years
- Further develop plans for the Western Growth Corridor in partnership
- Progress plans for regeneration of the Sincil Bank area of the city
- Refresh the Low Carbon Lincoln Strategy and action plan
- Roll out and embed the application of the new Portfolio Holder responsibilities

1.8 CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Service plans are in place for all directorates with key projects listed separately. All projects are subject to the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

The council's financial management arrangements ensure that there is adequate resource available to deliver plans. The council reviews progress against delivering those outcomes through its performance management framework.

Activity within Principle D in 2017/18:

- Review of the CMT decision making process around strategic plan projects (SPIT) has been completed and implementation commences from May 2018
- The LPMM has been fully updated to include all changes in project governance recommended through the SPIT review. More ownership and accountability for project management has been passed to Project Sponsors and Project Managers
- The Vision Boards are now established and have all delivered their first annual reports to members
- The revised TFS Board and the new High Performing Services Board commenced in May 2017 and has delivered its first annual report
- Services Managers Forum has been active since November 2016 and has taken over the role covering risk, insurance incidents, GDPR and AGS monitoring

Proposed activity for the coming year:

- A year 2/3 programme for the next steps of implementing the vision has been proposed and is currently under discussion
- The work of the Business Development team is to be re-aligned with the needs identified within the year 2/3 Vision projects
- A new training programme for the LPMM will be rolled out to ensure that all project managers and sponsors are fully aware of how to implement their new responsibilities



1.9 CORE PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. A newly developed People Strategy will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city, and is effectively engaged to champion the council's priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2020 objectives.

Activity within Principle E in 2017/18:

- Roll out of People Strategy demonstrating plans to develop capability and capacity. Two defined positions have been created around performance and staff wellbeing.
- Targeted work around the wellbeing and health aspects for staff
- More HR policies have been reviewed with training delivered to managers
- New appraisal format includes mandatory appraisals during the period April- June, collation of personal development plans and a review of Job responsibilities
- Coaching programme completed for senior management and service managers
- Staff satisfaction survey completed in late 2017. Action plans are now underway in each Directorate

Proposed activity for the coming year:

- A further review of Directorate structures following the retirement of the Housing Director in April 2018
- People Strategy to continue to roll out new activities for example a Staff engagement Strategy and HR focussed line manager briefings
- Needs analysis to be completed on Leadership Development

1.10 CORE PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

The financial audit identified material errors in the DRAFT financial statements, which were corrected in the published version, for which an unqualified opinion was given. The errors were reported in the September 2017 ISA260 report to the Authority. It was acknowledged that this was due to unprecedented staffing difficulties faced by the finance team during the closedown process and in the first half of the 2017. Management agreed to the report recommendations and ensured that the arrangements and working papers for the 2017/18 accounts would be robust and effective.

Activity within Principle F in 2017/18:

- Continued use of the risk process 'Risk Appetite' methodology and toolkit.



- The Annual Audit Letter issued an unqualified conclusion on the authority's Final Statement of accounts and Value for Money statement
- Continuation of the review of compliance to data protection and an audit on data management. All services have been reviewed and have agreed an action plan
- Reductions in the central government funding have been mitigated by a successful savings and income generation programme – a key aspect of which is the new Property Acquisition arm of the Asset Optimisation plan.
- The review of business continuity plans has been completed which is the last part of the revised disaster recovery plan

Proposed activity for the coming year:

- The introduction of NETconsent to minimise the risk of non-compliance to policy
- Development of a three-year plan for new income generating opportunities
- Partnership guidance to be updated and re-issued - AD's to develop a list of ALL partnerships/joint working in their areas as a minimum
- Increase the level of purchase order usage across the authority to ensure full control
- The council will move from KPMG (external auditors) to Mazzars during 2018/19

1.11 CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of the Performance Management Framework

Activity within Principle G in 2017/18:

- Improvements made to the website, including more self-serve options – through 2017
- Communications team has increased coverage of new developments, changes etc. through social media as well as the more traditional channels
- New targets on all year 1 Vision 2020 projects have been developed
- A scope for the development of a new performance management system was approved for progression by CMT in December 2017

Proposed activity for the coming year:

- Targets to be developed for all year 2 Vision projects
- Develop and implement a new Performance Management system aimed at improving the culture of performance across the organisation
- The Lincoln Performance Management Framework will be reviewed in 2018
- Review of options in Aggresso for reporting alongside the proposed new Performance Management System
- Develop a new web option to replace our existing website



2 Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2017/18 - summary details are outlined above.

We reviewed key governance areas and assurances to identify any significant governance issues, these are detailed below in section 5 – and also in **APPENDIX A** for monitoring

3 Level of assurance provided

We can provide a high level of assurance that the governance arrangements operating at City of Lincoln Council, in line with our Code of Corporate Governance are appropriate, fit for purpose and working well in practice.

4 Status of significant governance issues monitored from 2016-17

The council has regularly monitored its 2016 -17 significant governance issues through senior management and the Audit Committee during 2017/18:

Issues that have been significantly progressed and now can be removed:

- IT disaster recovery: Arrangements to cover major events are well underway with a secondary ICT location established and tested and fully functional at Hamilton House. A draft ICT Disaster Recovery Plan has been written and is now being tested against Corporate Business Continuity plans. The final plan needs to be agreed by the Business Continuity Group to complete this exercise.

5 Significant governance issues identified from 2017-18

One current significant issue will remain a focus for 2018/19

- **Information Management:** During 2017/18 significant progress has been made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR) by the implementation date in May 2018. However there remain a number of areas still in progression and due to the seriousness of non-compliance, until these are completed, this area will remain a significant issue

New significant issues identified

There are no new areas designated as significant issues

Other areas to retain a focus on – but are not considered significant issues as yet

- The council has minimal experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.
- Project management monitoring arrangements have been reviewed, with the Strategic Plan Implementation Team having been replaced by the new Capital Programme Group and additional responsibilities for the Programme Boards. This will remain on the list of areas to watch through 2018/19 to ensure governance quality is maintained.
- Western Growth Corridor to ensure that effective governance is maintained as the project develops further
- Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions
- Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19

Plans for monitoring the significant governance issue determined by the steering group and agreed through CMT are detailed in **APPENDIX A**

6 Conclusion

The council's governance arrangements are under continual review and refinement. The council will monitor improvement plans for its significant governance issues quarterly and report progress in the next annual review.

Signed



Leader (Cllr Ric Metcalfe) **Date:** 25 May 2018

Signed



Chief Executive (Mrs Angela Andrews) **Date:** 25 May 2018

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**Quarterly summary of progress with AGS risk action
To Audit Committee 14th June 2018**

Significant current issues from 2017/18 to focus on in 2018/19.

The risk actions below were identified in the 2017/18 AGS review. Progress will continue to be made in 2018/19, monitored and driven forward by the Service Managers Group and reported to Audit Committee quarterly.



Please note that as part of the last AGS it was determined that:

- Information Management and IT disaster recovery: significant progress has been made and the decision was taken that this is no longer significant
- Three new areas to 'watch' identified – WGC governance arrangements; use of professional advice and Housing Responsible Officer duties

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	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
Information Management: Legal and Democratic Services Manager	<p><i>2016/17 AGS narrative: During 2016/17 significant progress has been made on delivering the Information Management training programme – but it is still not yet quite complete, although this is now expected to be completed by July 2017. We need to ensure we comply with the GDPR by May 2018.</i></p> <p>RED to AMBER:</p> <ul style="list-style-type: none"> • Training programme to be concluded by July 2017 <p>AMBER to GREEN:</p> <ul style="list-style-type: none"> • Ongoing training programme implemented and training materials finalised • Privacy Impact Assessment procedure rolled out • Review of all existing contracts and partnerships for information sharing arrangements • Any additional work to ensure compliance with the European Data Protection Regulation due to be in force May 2018 	<p>The Information Governance Officer has delivered generic and tailored training to each team. An Information Asset Owner (IAO) Handbook has been prepared and circulated with the first training undertaken in Q1, and the second in September. IAO's now have a checklist to complete, following further training which was carried out in February 2018. Contracts data is currently being reviewed.</p> <p>The E-learning programme continues to be rolled out to teams, and AD's are now chasing individual staff members who have not yet completed the training. Further actions are contained in the Information Management Action Plan and Management Plan and monitored by Audit Committee/AD Group, which is largely on target to implement the GDPR Project by May 2018.</p>	<div style="border: 1px solid black; width: 30px; height: 30px; background-color: yellow; margin: 0 auto;">A</div>

Other areas to retain a focus on during 2017/18 but are not classed as 'significant issues';

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
Partnership companies	<i>The council has little experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.</i>	<p>The proposed Housing Company - the latest position is that:</p> <ol style="list-style-type: none"> 1) Executive made a decision in principle to establish a company in February 2016 2) January 2017 there was approval for the company to be progressed subject to General Fund due diligence work 3) The full Business Case was presented to Policy Scrutiny on the 28th November and approved by Executive on 18th December 2017 4) Lincoln Quality Homes to be set up during 2018 (this is delayed due to the retirement of the Housing Director in March 2018) <p>At this point there are no other new ventures in the immediate frame, but the TFS Board has received a general report from the Finance consultant which contained views on when it is appropriate to consider using a partnership company and what safeguards to consider</p>	
Loss of compliance to Lincoln Project Management Model	<i>Project management monitoring arrangements are currently under review. Any changes will need to include a mechanism to ensure ongoing compliance with the Lincoln Project Management Model</i>	<p>A report on the options for the future of the Strategic Plan Implementation Team (SPIT) was reviewed by CMT and CLT in September 2017. This involved ensuring that the financial monitoring and the operational aspects of project management were both considered for all defined projects.</p> <p>A full review of the Lincoln Project Management Model has been completed and now incorporates agreed changes to move from the current SPIT team to a new Capital Programme Group (CPG), which will monitor all capital projects in detail – along with additional responsibilities to be undertaken by all Programme Boards and Project Sponsors.</p> <p>SPIT sat for the last time in March 2017 and a final Q4 outturn report was produced for Performance Scrutiny and Exec.</p>	

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
		The new processes will be communicated widely in early June with a new training programme developed for all Project Sponsors, Project Managers and other relevant staff, to be rolled out after that	
Western Growth Corridor	<i>Western Growth Corridor - to ensure that effective governance is maintained as the project develops further</i>	Actions to be agreed	G
Use of professional advice	<i>Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions</i>	Actions to be agreed	G
Responsible Officers	<i>Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19</i>	Actions to be agreed	G

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GLOSSARY OF TERMS USED

AGS	Annual Governance Statement
AD	Assistant Director
CPG	Capital Programme Group
CFO	Chief Finance Officer
CLT	Corporate Leadership Team
CMT	Corporate Management Team
CS	City Solicitor
CX	Chief Executive
DCLG	Department for Communities and Local Government
DfT	Department for Transport
DR	Disaster Recovery
GDPR	General Data Protection Regulation
GLLEP	Greater Lincolnshire Local Enterprise Partnership
H&S	Health & Safety
HB	Housing Benefit
HPS	High Performing Services
HR	Human Resources
ICT	Information, Communication Technology
IMPS	Information Management & Performance System
LGA	Local Government Authority
LPMM	Lincoln Project Management Model
MTFS	Medium Term Financial Strategy
PIR	Post Implementation Review
RO	Responsible Officer
RSG	Revenue Support Grant
SPIT	Strategic Plan Implementation Team
TFS	Towards Financial Sustainability
SM	Service Manager
VFM	Value for Money

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AUDIT COMMITTEE

14 JUNE 2018

SUBJECT: DRAFT STATEMENT OF ACCOUNTS 2017/18

REPORT BY: CHIEF FINANCE OFFICER

LEAD OFFICER: ROBERT BAXTER, FINANCIAL SERVICES MANAGER

1. Purpose of Report

1.1 To present the draft Statement of Accounts for the financial year ended 31st March 2018, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

2. Executive Summary

2.1 The draft Statement of Accounts (SOA) for 2017/18 provide a comprehensive picture of the Council's financial circumstances and are compiled to demonstrate probity and stewardship of public funds.

2.2 The Council is statutorily required to publish its Statement of Accounts for 2017/18 with an audit opinion and certificate by no later than 31st July 2018.

2.3 The Audit Committee should note that the Statement of Accounts for 2017/18 are still subject to external audit. The audit of the accounts is being undertaken by KPMG, who commenced the audit in early June. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee on 19th July 2018 when the audited Statement of Accounts are presented for approval.

2.4 The Council must make the Statement of Accounts available for public inspection for 30 working days. Following notification from KPMG, this will run from 1st June until 12th July 2018 and the External Auditor will be available to answer questions during this period.

3. Background

3.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be certified by the Council's Chief Finance Officer by the 31st May 2018. The Accounts will then be released to be audited by the Council's external auditor, KPMG. After completion of the audit the accounts must be published with the audit opinion and certificate, and before that must have been approved by Full Council, by no later than 31st July. The timescales involved with the approval of the Statement of Accounts for 2017/18 are:

a) Report draft accounts to Audit Committee	14 th June 2018
b) Report to Audit Committee	19 th July 2018
c) Report to the Executive	23 th July 2018
d) Approval by Council	24 th July 2018

3.2 In order to ensure that the statutory deadline of 31st July 2018 is met KMPG must complete their audit and issue the relevant audit opinion. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee on 19th July 2018 when the audited Statement of Accounts will be presented for approval. The Audit Committee will also receive the Audit Opinion from KPMG at this meeting.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. Training has been provided prior to this meeting to assist members in their understanding of the accounts and a short summary of the accounts will be produced to accompany the Final Statement of Accounts when it is presented to members in July. The remainder of this report sets out a short summary, which highlights the key figures in the financial statements which it is hoped will prompt questions in order for the Council to promote greater accountability and transparency for the significant sums of public money entrusted to the Council.

4. Summary of Key Issues in the Financial Statements

4.1 The Comprehensive Income and Expenditure Statement

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES) (SOA page 23)** – in line with statutory accounting practice the Comprehensive Income and Expenditure Statement (CIES) shows the Council's actual performance for the year measured in terms of the resources consumed and generated over the last 12 months. It should not be misinterpreted as the financial outturn position of the Council as this statement contains a number of accounting entries required under International Financial Reporting Standards (IFRS). Regulation allows local authorities to reverse these amounts out of the accounts before determining their outturn position. There is a note to the accounts (Expenditure & Funding Analysis (SOA page 20)) that adjusts the expenditure that is chargeable to general fund and the HRA balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £6.214m in the CIES to the outturn position of an decrease in General Fund Balances of £0.702m as reported in the Financial outturn report (Executive 29th May 2018).

	£m	£m
Net (surplus)/deficit on the Provision of Services		(6.214)
<i>Adjust for:</i>		
Depreciation, revaluation losses and gains & impairment of non-current assets	9.452	
Revenue expenditure funded from capital under Statute	(4.612)	
Direct Revenue financing of capital expenditure	1.125	
Gain/loss on the sale of non-current assets	0.985	
Contribution to/from the pensions reserve	(4.019)	
Debt repayment and premiums & discounts on debt	0.484	
Short-term compensated absences	(0.010)	
Contribution to Government's Housing Capital Receipts Pool	(0.529)	
Capital grants & contributions unapplied credited to CI&ES	3.002	
Adjustment for Collection Fund	1.599	
Transfer to/from the HRA	(0.064)	
Transfer to/from Earmarked reserves	(0.497)	
Total Adjustments	6.916	
(Increase)/decrease in General Fund Balances		0.702

- 4.1.2 Clearly the most significant issue for Members to be aware of from the Comprehensive Income and Expenditure Statement is how the Council performed financially in 2017/18, in comparison to the revised budget for the year. As previously reported there was an underspend against the General Fund budget of £588k in 2017/18, which was agreed could be transferred into earmarked reserves in addition to an element carried forward for specific projects in 2018/19. Allowing for these adjustments, expenditure on the General Fund was in line with the budget and included a contribution of £702k from balances to support revenue budgets.
- 4.1.3 The Housing Revenue Account has also seen an underspend against the revised budget of £616k, which was agreed to be transferred into earmarked reserves. Allowing for this adjustment HRA balances were £1.023m and the HRA Repairs Accounts balance was £624k as at 31st March 2018, both in line with the HRA 30 year Business Plan.
- 4.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (*SOA page 1*) and were subject to a separate report to Performance Scrutiny Committee and the Executive on 24th and 29th May 2017 respectively.

4.2 The Balance Sheet (SOA page 24)

4.2.1 **The Balance Sheet** is fundamental to understanding the Council's financial position at the year-end. It shows the Council's balances and reserves, long-term indebtedness, and the non-current and current assets employed in the Council's operations. The key information for members to be aware of in the Balance Sheet as at 31st March 2018 are:

4.2.2 **General Balances** – General balances have decreased by £0.766m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2,312	1,610	(0.702)
HRA balances	1.087	1.023	(0.064)
HRS	0.089	0.089	0
Total	3.488	2.722	(0.766)

4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have reduced by £0.494m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	10.575	10.081	(0.494)

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2017/18 Provisional outturn to the Executive 29th May 2018 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA page 62).

4.2.4 **Liquidity** – a reliable indication of liquidity is the ratio of current assets (excluding inventories) to current liabilities. The Council's current assets (excluding inventories) of £33.308m exceed current liabilities of £20.499m by a ratio of 1.62:1, which represents a decrease from the previous year's ratio of 2.82:1. This is due to the £6m reduction in money market investments (as per the Council's borrowing strategy) in addition to the decrease in debtors, as analysed in 4.2.5 below.

4.2.5 **Debtors** – debtors have decreased by £7.733m to £10.241m. This is mostly due to £6.9m of grant funding relating to the Lincoln Transport Hub, which was outstanding as at 31st March 2017, in addition to the £1m deposit with Lloyds relating to the Council's Local Authority Mortgage Scheme (LAMS) which was repaid during 2017/18.

4.2.6 **Creditors** – have increased slightly by £1.987m to £15.364m. This is mainly due to a £1.3m increase in the balance on the Business Rates adjustment account, which absorbs the timing differences between statutory accounting requirements and full accruals accounting, in addition to an increase of £0.367m in the Business Rates cash control account (reflecting cash owed to business rates payers in the form of prepayments and overpayments as at 31st March 2018).

4.3 Cross Cutting Key Issues

4.3.1 There are a number of areas that have significant impacts or are of particular interest that sit both within the Comprehensive Income and Expenditure Statement and the Balance Sheet. To aid members understanding of the Accounts these are summarised below:

4.3.2 **Non-Current Assets** are shown in the Balance Sheet and represent the Council's land, building, heritage, community and intangible assets.

- **The value of non-current assets and assets held for sale in the Balance Sheet has increased by £30.9m (9%) to £360.4m between 31st March 2017 and 31st March 2018 (see the Balance Sheet and Notes 14, 15 and 16 for further detail). This net increase is the result of a number of factors:**
 - **Revaluations** - The Council's Assets are valued on a rolling programme, which ensures each asset is re-valued every 5 years as at the 1st April. In addition to this, all assets are reviewed for any material change in their value at the end of each financial year. The results for 2017/18 have seen an **overall increase in value of £12m**, which is the net result of valuation gains and losses across a range of assets.

Accounting rules require that where a balance has not built up on the Revaluation Reserve for an individual asset (a reserve which holds accumulated gains following previous revaluations upwards) then any revaluation losses (downwards revaluation in asset values) must be recognised in the Comprehensive Income and Expenditure Statement (CI&ES) and then reversed out in the Movement in Reserves Statement before it impacts on Council Tax payers. Accounting rules also require that where a revaluation loss previously recognised in the CI&ES on an individual asset is subsequently reversed by an upwards revaluation, then the revaluation gain should be recognised in the Comprehensive Income and Expenditure Statement up to the value of the original revaluation loss. Within the £12m net upwards movements due to revaluation gains and losses in 2017/18, there were:

- **£11m of net revaluation gain** required to be charged to Cost of Services in the CI&ES. This is mainly due to an increase in the

- value of housing stock and assets held for sale (£1.45m).
 - **£1.0m of net upwards revaluations** were reflected in the Revaluation Reserve (shown in Other Comprehensive Income and Expenditure in the CIES). This was mainly due to the upward revaluation (£0.72m) of the council’s heritage musical instruments and also an increase in the council’s land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £35.248m.** The main areas of expenditure include £10.7m spent improving Council dwellings including re-roofing, kitchens and landscaping, and the purchase of land for a number of council house new build schemes. The other main areas of spend were £12.8m on the Lincoln Transport Hub and £8.7m on purchasing investment properties. To pay for this investment, the Council has used £2.6m of capital grants and contributions, £4.7m of capital receipts, £9.2m of the Major Repairs Reserve, £18.25m of unsupported borrowing, and £0.5m of direct revenue financing.
- **Depreciation** – a charge is made to the Comprehensive Income and Expenditure account for depreciation to reflect the use of assets in the provision of services during the year. The value of non-current assets in the Balance Sheet is reduced by an equivalent amount. For General Fund services this charge is reversed out in the Movement in Reserves Statement (MiRS) and replaced with a statutory charge for the repayment of debt. In the HRA under self financing, depreciation is a real charge to the service however, it is set aside in the Major Repairs Reserve for future investment in the housing stock. **In 2017/18 total depreciation was £12.2m** (of which £1.6m was charged for non-HRA dwellings and was replaced in the MiRS with £0.485m for the repayment of debt and £10.7m depreciation was charged to the HRA which is available in the Major Repairs Reserve for future investment).
- **Disposals – assets valued at £4.215m in the Balance Sheet were disposed** of in 2017/18. This included the Ermine School site and vacant general fund properties plus 67 Right to Buy sales of council dwellings.

4.3.3 **Pensions** – the payments made by the Council to the Lincolnshire County Council Pension Fund each year as employer contributions to the scheme and any addition costs relating to pension strain etc are reflected in the financial outturn position of the Council. However, accounting practice requires that in the Statement of Accounts pension costs are shown when the Council is committed to give them, even if the actual giving may be years into the future. This means that:

- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees,

and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.

- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities

Full details are provided in Note 44 to the accounts – Defined Benefit Pension Schemes (*SOA page 99*). The impact of these accounting requirements in the core financial statements are:

- **Comprehensive Income & Expenditure Statement (CIES)** - The cost of retirement benefits in the CIES is shown as an actuarial estimate of £7.7m cost reflecting the retirement benefits earned during 2017/18 and to be funded in the future. This includes £5.5m current service costs and a net interest cost on the defined benefit obligations of £2.2m. This net cost is reversed out in the Movement in Reserves Statement (MiRS) and is replaced by the actual amount charged for pension contributions in the year of £3.7m.
- **Balance Sheet** – The Pension Reserve shows the underlying commitments that the Council has in the long term to pay retirement benefits based on an assessment by the pension schemes actuary. The balance on the Pensions Reserve is the net position of the schemes liabilities and assets. During 2017/18 the net liability has increased by £0.337m to £85.858m. This relatively small increase in the Pension Fund deficit resulted due to the default financial assumptions being relatively similar to 31st March 2017 and returns over the year being broadly in line with the 2017 expected return assumptions. The actuarial assumptions are detailed in note 44 to the accounts 'Defined benefit pension scheme'.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £85.858m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The financial position of the Council remains healthy.

4.3.4 **Officer remuneration** – note 35 to the accounts (*SOA page 88*) details senior staff salaries and the number of employees receiving more than £50k remuneration during the year (this includes receipt of any redundancy payments). Also detailed within the note is the redundancy/pension/payment in lieu costs paid in year, in line with Executive approvals of service review business cases and the Council's redundancy policy.

4.3.5 **Borrowing** – the Council takes borrowing to fund capital expenditure. It also occasionally takes short term borrowing for cash flow purposes.

- Between 31st March 2017 and 31st March 2018 the Council's total borrowing increased to £81.138m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31st March 2018).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £3.784m and long term borrowing of £77.354m.
- The average rate of interest payable on borrowing was 4.09% which is a slight decrease on 2016/17 (4.15%) and due to the new loans taken being at low levels of interest.
- The Comprehensive Income and Expenditure Statement for 2017/18 includes £3.2m interest payable on borrowing (excluding leases) of which £0.8m relates to the General Fund and £2.4m to the HRA.

The maturity profile of the outstanding borrowing as at 31st March 2018 is as follows:

Within	£m	% of Total Debt
1 year	3.784	4.66%
1 – 2 years	2.000	2.46%
2 – 5 years	5.000	6.16%
5 -10 years	5.897	7.27%
10 years and over	64.457	79.45%
Total	81.138	100.00%

4.3.6 **Investments** – in line with its Treasury Management Strategy, the Council invests surplus cash on the money markets, typically for periods less than one year to approved organisations, although core cash balances may be invested for periods over 1 year if interest rates and market conditions are favourable.

- As at 31st March 2018, total investments had decreased by £5.16m from £20.760m to £15.6m compared to the previous year end.
- Average investment balances during 2017/18 were £25.3m, compared to £27.5m in 2016/17.
- The average interest rate received on investments in 2017/18 was 0.67% (a small increase of 0.03% on the average rate achieved in 2016/17), which was 0.45% above the target 7 day LIBID rate.

5. Significant Policy Impacts

5.1 Strategic Priorities – The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Strategic Priorities during the financial year 2017/18.

5.2 Communication - The draft Statement of Accounts is available on the Council's website and the period of public inspection has been advertised. The

completion of the audit of the Council's Statement of Accounts will be published on the Council website on 31st July 2018. The Statement of Accounts will also be made available on the website with a summary version of the accounts published in the Council's Annual Report.

6. Organisational Impacts

- 6.1 Finance - The financial implications are contained throughout this report.
- 6.2 Legal - In accordance with the Accounts and Audit Regulations 2015 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 31st July 2018.

7. Risk Implications

- 7.1 There are no direct risk implications arising as a result of this report.

8. Recommendation

- 8.1 The Audit Committee are invited to scrutinise the draft Statement of Accounts.

Key Decision No

Key Decision Reference No. N/A

Do the Exempt Information Categories Apply No

Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

Does the report contain Appendices? Yes

List of Background Papers: Medium Term Financial Strategy 2017-2022
Financial Performance - Outturn 2017/18

Lead Officer: Robert Baxter, Financial Services Manager
Telephone 873361

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DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018



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NARRATIVE REPORT

An introduction to the City of Lincoln's 2017/18 Statement of Accounts by J Gibson, Chief Finance Officer, Section 151 Officer.

The Statement of Accounts

The purpose of the Accounts, which follow, is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The Accounts show the financial performance for 2017/18 and the financial position at 31 March 2018. The Accounts present expenditure and income incurred by the Council in the financial year 2017/18 and highlight changes in the financial position of the Council over the course of the year.

The accounts of the Council are, by their nature, both technical and complex. The information contained within the Accounts for 2017/18 is presented as simply and clearly as possible and the Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2018 and its financial prospects.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts consists of various sections and statements, which are briefly explained below:

A Narrative Report – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year.

The Statement of Responsibilities – this details the responsibilities of the Council and the Section 151 Officer concerning the Council's financial affairs and the actual Statement of Accounts.

The Audit Opinion and Certificate – this is provided by KPMG LLP following the completion of the annual audit.

The Accounting Policies – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The Core Financial Statements, comprising:

- **The Movements in Reserves Statement** – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
- **The Expenditure & Funding Analysis** – this statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **The Comprehensive Income and Expenditure Statement (CIES)** – this statement shows the accounting cost in the year of providing services in accordance with accounting standards, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.
- **The Cash Flow Statement** – this statement shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Notes to the Financial Statements – these provide supporting and explanatory information on the Financial Statements.

The Supplementary Statements, comprising:

- **The Housing Revenue Income and Expenditure Statement** - this statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **The Movement on the HRA Statement** – this statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

- **The Collection Fund Statement** - this statement is an agent's statement that reflects the statutory obligation for billing authorities (such as the City of Lincoln Council) to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from Council Tax and Business Rate payers and distribution to Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (PCCL) and Government of Council Tax and National Non-Domestic Rates (NNDR).

generation of local income streams and increased demand for council services from customers who rely on the safety net provided by local government.

However in response to this environment the Council continues to deliver a track record of strong financial discipline. This means planning ahead, securing savings in advance, re-investing in more efficient ways of working, adopting a more commercial approach, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks.

Financial Summary 2017/18

In common with the rest of local government the Council has continued to face a large number of challenges during 2017/18 which have seen:

- the continuation of severe central government funding reductions, the distribution of which has not been uniform across the different types of authority with some being significantly more affected than others, this Council being one of those suffering a greater proportionate loss.
- an increased reliance on retained Business Rates and the levels of financial risk and uncertainty that this creates.
- the legacy of impacts from the last economic crisis that still persist, affecting jobs, housing and business growth, low returns on investments, these in turn create pressure on the

The Council's successful financial management to date has enabled the protection of core services, whilst at the same time ensured that resources are directed towards the priority areas in the Council's Vision 2020.

2017/18 has seen a significant level of delivery against these Vision 2020 priority areas, with the completion of the £30m Lincoln Transport Hub scheme, £3.2m investment in new Council Housing and the £1.4m renovation of Birchwood Leisure.

In summary, 2017/18 has seen the Council deliver spending within budget in both the General Fund and the Housing Revenue Account, whilst achieving £0.309m revenue savings in addition to those achieved in previous years; and has delivered £39.805m of capital investment, up from £27.949m in 2016/17. In addition, the Council's net worth has increased from £189.731m in 2016/17 to £200.738m in 2017/18, an increase of 5.8%.

Performance

Whilst maintaining sound financial management and delivering spending within budget the Council has continued to deliver high quality services to its residents and customers. A summary of the key financial and performance indicators for 2017/18 is provided below:

2016/17		2017/18
99.4%	Business Rates collected	98.9%
97.1%	Council Tax collected	97.2%
99.3%	Housing rent collected	99.7%
97%	Invoices paid within 30 days	95.2%
4.15%	Interest rate payable on debt	4.09%
0.64%	Interest rate received on investments	0.68%
34.2%	Waste recycled	33.7%
226,582	Users of Health & Recreation services	218,181
97.4%	Housing repairs completed to target	97.5%
82.3%	Occupancy of allotments	80.1%
95.8%	Premises compliant with food health and safety inspection	98%
971	Number of planning applications received	1,022

Revenue Income and Expenditure

General Fund

The General Fund covers all net spending by the Council on services other than those accounted for in the Housing Revenue Account. General Fund services are partly paid for by government grants and contributions from Retained Business Rates, with the balance being funded from Council Tax and income from fees and charges.

For 2017/18, the approved net expenditure budget for General Fund services was £11.138m. After allowing

for planned contributions of £0.702m from non-earmarked general reserves the total Net General Fund Budget for 2017/18 was £10.436m.

The Net General Fund Budget of £10.436m assumed the achievement of £0.279m further savings which were to be delivered in 2017/18 as part of the Council's Towards Financial Sustainability Programme. The Programme was successful in delivering total savings of £3.530m. Work is underway to accelerate existing projects in the programme and to continue to develop further new projects to secure the additional

savings required in 2018/19 and future years.

The table that follows provides a summary of the final outturn position for the General Fund, against the net budget.



	ACTUAL 2017/18 £'000	BUDGET 2017/18 £'000	VARIANCE 2017/18 £'000
Chief Executive and Town Clerk	3,465	3,757	(292)
Directorate of Housing & Regeneration	736	748	(12)
Directorate of Communities & Environment	1,125	1,090	35
Directorate of Major Developments	5,408	5,402	6
Corporate	1,429	1,472	(43)
Net Operational Expenditure	12,163	12,468	(306)
Specific Grants	(1,663)	(1,647)	(16)
Savings Target	0	30	(30)
Earmarked Reserves	(711)	(1,862)	1,151
Capital Accounting Adjustment	1,630	1,922	(292)
Contingencies	0	226	(226)
Total Expenditure	11,418	11,138	280
Contribution from General Balances	(702)	(702)	(0)
Total Net Budget	10,715	10,436	280
Business Rates -			
Retained Business Rates Income	(16,295)	(17,084)	789
Tariff	12,228	12,397	(169)
Section 31 grant	(1,051)	0	(1,051)
Levy Payment	336	184	152
Revenue Support Grant	(981)	(981)	0
Council Tax	(6,145)	(6,145)	0
Council Tax Surplus	(38)	(38)	0
NNDR Deficit	1,229	1,229	0
Total Resources	(10,715)	(10,436)	(280)

While total expenditure was £10.715m (£0.280m more than budget) this is fully offset by £0.280m additional net business rate income (primarily from a reduced tariff payment and additional section 31 grants). As a result the actual contribution from general balances was £0.702m compared to the approved budget of £0.702m, resulting in a nil variance overall.

As at 31 March 2018, the Council held £6.169m General Fund revenue reserves, comprising £4.559m earmarked reserves (to cover specific or potential financial risks and liabilities) and £1.610m non-earmarked general reserves. This latter balance represents 15.4% of the 2017/18 annual net service budget and provides an adequate level of reserves to cover unforeseen financial risks. General Balances are in line with the prudently assessed minimum requirements in the Council's Medium Term Financial Strategy.



Housing Revenue Account

The Housing Revenue Account has to be kept as a separate account for all the expenditure and income relating to the landlord functions associated with the provision, management and maintenance of Council owned dwellings.

For 2017/18, the approved net operating budget for the Housing Revenue Account was a deficit of £0.064m. Actual net expenditure for 2017/18 was £0.064m deficit, resulting in a nil variance against the budget.

The table that follows provides a summary of the final outturn position for the Housing Revenue Account, against the net budget.

	ACTUAL 2017/18 £'000	BUDGET 2017/18 £'000	VARIANCE 2017/18 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,465	7,498	967
Supervision & Management	6,233	6,653	(420)
Provisions (including Bad Debt)	286	187	99
Capital Financing	(223)	12,124	(12,347)
Sub Total	14,761	26,462	(11,701)
<u>Add:</u>			
HRS – repatriation of surplus	(253)	0	(253)
Contribution to/(from) CMS (IAS19 & Insurance Fund)	502	0	502
Interest Payable & Similar Charges	2,352	2,352	0
Total Expenditure	17,362	28,814	(11,452)
 <u>Income</u>			
Rents & Service Charges	(28,560)	(28,558)	(2)
Interest	(39)	(33)	(6)
Net Expenditure	(11,237)	223	(11,460)
<u>Less:</u>			
Capital Accounting Adjustment	10,812	0	10,812
Appropriation to/(from) Major Repairs Reserves	765	0	765
Appropriation to/(from) Pension Fund Liability	(492)	0	(492)
Appropriations to/(from) Earmarked Reserves	216	(159)	375
Net HRA (Surplus)/Deficit	64	64	0

As at 31 March 2018, the Council held £2.595m HRA revenue reserves, comprising £1.572m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.023m non-earmarked general reserves.

Capital Expenditure

(Note 39)

Capital expenditure on the provision of new or enhanced assets is largely met from capital receipts, government grants, contributions from third parties and revenue contributions.

The Council's capital spending in the year was £39.805m compared to the

revised approved programme budget of £46.623m, representing an underspend of £6.818m against the profiled budget. The variance in 2017/18 is mostly due to the re-phasing of the Council's new build programme in addition to the re-profiling of a number of larger schemes within the general fund. The 2017/18 capital spending and funding position is summarised as follows:

	ACTUAL 2017/18 £'000	BUDGET 2017/18 £'000	VARIANCE 2017/18 £'000
Capital Expenditure			
General Fund	29,098	31,419	(2,321)
Housing Revenue	10,707	15,204	(4,497)
Total Expenditure	39,805	46,623	(6,818)
Financed by:			
Long Term Borrowing	22,439	24,638	(2,199)
Capital Receipts	4,674	4,383	291
Capital Grants and Contributions	3,016	3,284	(268)
Major Repairs Reserve	9,190	13,957	(4,767)
Revenue Contributions	486	361	125
Total Financing	39,805	46,623	(6,818)

Major Capital works carried out during 2017/18 are set out in the following table:

	£'000
Housing	
Decent Homes improvements to Council dwellings	5,164
Health & Safety	292
Council house new build schemes	3,242
Land Acquisition Fund	824
Other major works to housing stock	1,185
General Fund	
Lincoln Transport HUB	16,934
Purchase of tenanted Car Parks	6,965
Purchase of Land and Buildings	1,734
Transformation of Birchwood Leisure Centre	1,399
Boultham Park Masterplan	492
Allotment Improvement Programme	436
CCTV Upgrade	320
Disabled Facilities Grants	357
Other Schemes	461
Total	39,805

Capital Financing

The Council's capital programme is funded by a number of sources including the application of capital receipts, capital grants, contributions from the revenue account and long term borrowing. A summary of significant transactions in capital funding in 2017/18 is provided below:

Capital Receipts (Note 9)

The Council received £1.370m of General Fund capital receipts in 2017/18 which will be used to support delivery of the General Fund Investment Programme.

The Council also received £3.301m of HRA receipts. These will be used to support the new build programme within the Housing Investment Programme and investment in the housing stock.

Major Repairs Reserve (Note 9)

The Council is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.



Long Term Borrowing (Note 18)

The Council undertakes long term borrowing, for periods in excess of one year, in order to finance capital expenditure. An assessment of the use of borrowing to fund capital expenditure is made through the application of the CIPFA Prudential Code in the Council's annual Treasury Management Strategy. This approach provides a framework for decision making highlighting the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure activity remains affordable, prudent and sustainable.

The Council satisfies its long term borrowing requirement by securing external loans.

Although the Council requires long term borrowing in order to finance capital expenditure, it can temporarily defer the need to borrow externally by using cash set aside for longer term purposes (in line with its Treasury Management Strategy); this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside is to reduce the level of cash that the Council has available for investment.

The Council's level of total debt outstanding, (excluding loans of £0.030m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2018 was £77.354m.

Total Long Term Borrowing Outstanding		
31/03/17		31/03/18
£'000	Source of loan	£'000
58,793	Public Works Loan Board	58,793
16,000	Market and Other Long Term Loans	18,000
561	Other (3% stock)	561
75,354	Total	77,354

Long-term borrowing of £2m and £3.75m of short term borrowing was taken during 2017/18 however the Council remains under borrowed by £27.817m (i.e. the Council's actual borrowing is £27.817m less than its borrowing requirement at 31 March 2018). Representing an increase of £12.252m on the actual position as at 31 March 2017 of £12.565m. This means that the borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered prudent whilst investment returns are currently low and internal balances allow for this. Additional long-term borrowing will be taken in 2018/19 and future years to bring levels up to the Council's borrowing requirement, subject to liquidity requirements, if preferential interest rates are available.

Pension Costs (Note 44)

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Council's retirement obligations.

- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities

The Balance Sheet presents an increase in the estimated Pension Fund Reserve net liability over the 2017/18 year of £0.337m, up from £85.521m at 1 April 2017 to £85.858m at 31 March 2018. This increase in the Pension Fund deficit resulted mainly from changes in financial assumptions. This is recognised as re-measurements on defined benefit obligation, which is shown in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The statutory arrangements for funding the remaining liability of £85.858m means that this deficit will be made good by the increased level of annual employer contributions payable to the

Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2017, the results at that time identified that there has been a slight improvement in the funding position since the last actuarial review from a 67% funding level to 70%.

Although the overall funding position has improved slightly, the employer contribution rates are still required to increase in order to improve the funding position further. Because of the guaranteed nature of Local Government Pension Scheme a stabilisation overlay mechanism is applied, whereby the employer's current contribution rate is capped at an affordable level. Without this in place the Council would be facing significantly higher contribution rates in order to increase the funding position.

This stabilisation approach has allowed the annual increase in the contribution rate to be capped at 1% p.a. over the period 2017/18 to 2019/20.



Future Plans

The Council's Vision 2020 sets out the Council's vision for the future of the

city, strategic priorities and core values. Although the Vision looks ahead for up to 30 years it specifically includes a programme of activity up to 2020, which seeks to not only deal with the most pressing issues in the city, but also details how the Council will work, with others, to further grow Lincoln's economy.

The Council's vision for 2020 is;

"Together, let's deliver Lincoln's ambitious future"

Underpinning this vision are four strategic priorities, each with a number of supporting aspirations. The aspirations are in turn supported by groups of projects that will be delivered throughout the three year programme.

The four strategic priorities are:

- Let's drive economic growth
- Let's reduce inequality
- Let's deliver quality housing
- Let's enhance our remarkable place

Delivery of the Council's Vision 2020 provides the focus for the Council in terms of the projects it seeks to deliver and the high performing services that it provides.



General Fund

Despite the financial challenges the Council has already faced, and successfully managed, local government is still set to experience significant funding reform from 2020.

The Fair Funding Review will re-establish the baseline need of every local authority, and, at the same time, business rates baselines will be reset for the first time. The government also intends to redesign the business rates retention system, moving to 75% local retention, while restructuring the system of risk and rewards. All this is due to come into effect in April 2020.

Ahead of this the Council's General Fund continues to face a significant financial challenge if it is to continue to deliver its Vision 2020 priorities and to deliver services to the public within a reduced, and more variable funding envelope.

Whilst the three year programme of activity set out in the Vision 2020 is fully resourced within the Council's Medium Term Financial Strategy, the Strategy also includes a savings target still to be achieved along with a number of significant financial risks which could affect the level of savings required.

Over the last 10 year period the Council has delivered savings in excess of £7.5m, a significant reduction in comparison to the overall net expenditure budget. However further savings of £0.102m are still to be delivered in order to achieve the current target by 2018/19.

The Towards Financial Sustainability (TFS) programme is and continues to be the vital element in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget.

In order to refocus and maintain momentum the TFS programme has been re-aligned and there are now three agreed strands to achieve savings. These are:

- Commercialisation – generation of new income streams, and commercial trading opportunities
- Asset Rationalisation – optimisation of usage and commercial returns of the City's property and land portfolio
- Shared Services/ savings – ensure the provision of professional, high performing services

Alongside this programme the Council will continue to seek ways to maximise its tax bases through economic development measures, through its Vision 2020, which enhance the economic prosperity of the City.

Housing Revenue Account (HRA)

HRA Self-financing was implemented from 1 April 2012 following a one-off settlement to the Treasury, in order to 'buy out' of the old subsidy system. The new system incentivised landlords to manage their assets well and yield efficiency savings. With this however also came the transfer of significant risks from Central Government to local authorities. The Council now bears the responsibility for the long term security and viability of council housing in Lincoln and has to fund all activity related to council housing from the income generated from rents, through long term business planning.

It was anticipated that there would be greater certainty about future income as councils were no longer subject to

annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment.

A key element of the self-financing regime is for the Council to construct a 30 year Business Plan for the HRA. The Council's latest Housing Revenue Account Business Plan 2016-2046, was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. The Business Plan reflects the impact of government policy changes, the results of stock condition surveys and financial assumptions at the time. The Business plan sets out:

- the long term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition, and:
- the Council's ambitious plans, alongside the resources to deliver, a significant number of new Council dwellings.

Capital Expenditure

The Council's capital programmes will deliver projects to the value of £92.904m over the next five years, with £40.014m estimated to be spent in 2018/19. This includes significant investment in the Council's key strategic projects which includes a significant land and property acquisition in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



Capital resources for the next five years include capital receipts, government grants, contributions from third parties and revenue contributions.

The Housing element of the capital programme represents the largest element of capital expenditure over the next 5 years and is predominantly reliant upon revenue contributions from the Housing Revenue Account (HRA) through both depreciation charges and direct revenue contributions. The HRA Business Plan includes the release of capital resource to fund significant capital investment in new housing stock over the medium term. Given that revenue support is now the primary source of capital funding, it is recognised that it is critical that there is robust budget management of the HRA and that opportunities to achieve efficiencies and maintain/maximise income streams are actively pursued.

Cash flows

The future cash flows will be dependent on the outcome of a number of key assumptions in the Medium Term Financial Strategy and HRA Business Plan, of which the Council's has varying degrees of influence over the outcomes. Some of the key determinants will be:

- Actual Business Rates base in year compared to the assumed levels in the budget, and the

ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city.

- Collection rates for Council Tax, Business Rates and Rents
- Income received compared to income targets (e.g. car parking, planning and building control)
- Interest rates achieved on investments and secured on new borrowing
- Timescale for payment of invoices and collection of debts.
- Profile of capital spending and funding over the MTF5.

Summary

Whilst addressing the financial challenges it faces in the forthcoming years the Council will also continue to maintain the correct balance between these challenges and ensuring that its limited resources are directed towards its strategic priorities.

Vision 2020 is supported by a programme of activity, resourced through the Medium Term Financial Strategy, that seeks to not only deal with the most pressing issues in the city, but also how the Council will work, with others, to embrace and maximise Lincoln's economy through schemes such as the Transport Hub and New Council House Building Programme.

This investment in growth and the local economy alongside the Council's savings programme, with a key focus on income generation, forms the foundations of the Council's approach to financial planning over the medium term, seeking to enhance its financial resilience and to continue to focus its resources towards achieving its aspirations in its Vision 2020.



Group Accounts

The increasing scope and scale of local authorities moving away from traditional ways of providing services makes it increasingly difficult for the Council's own financial statements to present fairly all the aspects of control over service provision and accountability for all resources and exposure to risks that the Council has taken on. A consolidated set of group accounts can make a vital contribution towards giving users a full picture of the Council's sphere of control and influence.



The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council contributed £99k to the service which is contained within the Communities and Environment line of the CIES. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is

hosted by the City of Lincoln Council. The Council contributed £1.198K to the service which is contained within the Chief Executive's Directorate line in the CIES. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. Under these arrangements the ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for

separately within the Core Financial Statements.

Further Information

Further information about the accounts is available on request from the Chief Finance Officer, City Hall, Beaumont Fee Lincoln LN1 1DB. In addition, local electors have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website.

J Gibson

J Gibson ACCA
Chief Finance Officer
(Section 151 Officer)

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2017 to 31 March 2018 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on 24th July 2018

To be signed at the July Council meeting

Councillor Keith Weaver
Chair of Council

Date: 24th July 2018

THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of the Authority at 31 March 2018 and its income and expenditure for the year ended on that date.

J Gibson

J Gibson ACCA
Chief Finance Officer
Date: 31st May 2018

EXPENDITURE AND FUNDING ANALYSIS

31 March 2017

31 March 2018

	Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
	1,373	(1,721)	2,607	5,701	Chief Executive's Directorate	3,464	(967)	1,367	5,798
	562	0	581	1,143	Housing and Regeneration	736	0	274	1,010
	(1,037)	0	(53,345)	(54,382)	Housing Revenue Account (HRA)	(9,953)	0	(3,224)	(13,177)
	726	(6)	7,063	7,795	Communities and Environment	5,408	(2)	3,302	8,712
	(509)	0	2,475	1,966	Major Developments	1,124	0	4,221	5,345
	1,492	795	(736)	(39)	Corporate Services	1,430	803	(896)	(269)
	3,540	(932)	(41,355)	(37,816)	Net Cost Of Services	2,209	(166)	5,044	7,419
	(2,192)	932	(15,357)	(18,481)	Other Income and Expenditure	(947)	166	(12,520)	(13,633)
	415	0	(56,712)	(56,297)	(Surplus) or Deficit on Provision of Services	1,262	0	(7,476)	(6,214)
	<u>GF</u>		<u>HRA</u>	<u>Total</u>		<u>GF</u>		<u>HRA</u>	<u>Total</u>
	(9,957)		(4,522)	(14,480)	Opening Balance	(9,330)		(4,730)	(14,060)
	627		(207)	419	Less/ Plus Surplus or (Deficit) in Year	1,388		(126)	1,262
	(9,330)		(4,730)	(14,057)	Closing Balance at 31 March	(7,942)		(4,856)	(12,798)

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's different categories of expenditure and income. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Further analysis can be found in Note 8.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	HRS £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2016	2,010	11,463	1,005	0	6,609	5,325	533	26,945	121,849	148,794
Movement in reserves during 2016/17										
Surplus or (deficit) on provision of services	2,741	0	53,552	0	0	0	0	56,293	0	52,693
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(15,362)	(15,362)
Total Comprehensive Expenditure and Income	2,741	0	53,552	0	0	0	0	56,293	(15,362)	40,931
Adjustments between accounting basis & funding basis under regulations (Note 9)	(3,368)	0	(53,345)	0	1,097	4,073	(133)	(51,676)	51,676	0
Other adjustments	0	0	0	0	2,974	0	0	2,974	(2,974)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(627)	0	207	0	4,071	4,073	(133)	7,591	33,341	40,932
Transfers (to)/from Earmarked Reserves	929	(890)	(128)	89	0	0	0	0	0	0
Increase/Decrease in 2016/17	302	(890)	80	89	4,071	4,073	(133)	7,591	33,341	40,932
Balance at 31 March 2017 carried forward*	2,312	10,573	1,087	89	10,680	9,398	400	34,539	155,191	189,731

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MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	HRS £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Movement in reserves during 2017/18										
Surplus or (deficit) on provision of services	(4,889)	0	11,103	0	0	0	0	6,214	0	6,214
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	4,795	4,795
Total Comprehensive Expenditure and Income	(4,889)	0	11,103	0	0	0	0	6,214	4,795	11,009
Adjustments between accounting basis & funding basis under regulations (note 9)	3,476	0	(10,950)	0	639	(153)	(14)	(7,003)	7,003	0
Other adjustments	0	0	0	0	1,523	0	0	1,523	(1,523)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,413)	0	153	0	2,162	(153)	(14)	736	10,273	11,009
Transfers (to)/from Earmarked Reserves	710	(493)	(217)	0	0	0	0	0	0	0
Increase/Decrease in Year	(703)	(493)	(64)	0	2,162	(153)	(14)	735	10,277	11,009
Balance at 31 March 2018 carried forward	1,609	10,080	1,023	89	12,842	9,245	386	35,274	165,464	200,739

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2017/18

31 March 2017			Note	31 March 2018		
Gross* Expenditure £'000	Gross* Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
43,173	(37,471)	5,701		43,342	(37,544)	5,798
1,657	(513)	1,144		1,938	(928)	1,010
17,134	(29,131)	(11,997)		15,463	(28,640)	(13,177)
(42,385)	0	(42,385)		0	0	0
16,981	(9,186)	7,796		18,002	(9,290)	8,712
2,810	(844)	1,966		5,523	(178)	5,345
839	(878)	(39)		150	(419)	(270)
40,209	(78,023)	(37,815)	Cost Of Services	84,419	(77,001)	7,418
	5,404		Other Operating Expenditure	11		348
	3,570		Financing and Investment Income and Expenditure	12		3,000
	(27,454)		Taxation and Non-Specific Grant Income	13,37		(16,980)
	(56,294)		(Surplus) or Deficit on Provision of Services			(6,214)
	(2,596)		(Surplus) or deficit on revaluation of non-current assets	14,16,22		(1,057)
	0		Impairment Losses on Non- Current Assets charged to the Revaluation Reserve			0
	3		(Surplus) or deficit on revaluation of available for sale financial assets	26e		(58)
	17,955		Total re-measurements on defined benefit obligation	44		(3,682)
	15,362		Other Comprehensive Income and Expenditure			(4,797)
	(40,932)		Total Comprehensive Income and Expenditure			(11,011)

*Restated to be comparable
with 2017/18 figures

BALANCE SHEET AS AT 31 MARCH 2018

31 March 2017 £'000	Notes	31 March 2018 £'000	
312,454	Property, Plant & Equipment	4,14,39,41	332,979
5,478	Heritage Assets	15	6,091
8,519	Investment Property	14,16	16,224
629	Intangible Assets	14,39	568
416	Long Term Investments	18,47	473
141	Long Term Debtors		133
327,637	Long Term Assets		356,468
2,525	Assets Held for Sale	22	4,575
20,823	Short Term Investments	18,47	15,616
324	Inventories	19	220
241	Cash at Bank	21	876
17,974	Short Term Debtors	18,20,47	10,241
41,887	Current Assets		33,528
0	Cash and Cash Equivalents	21	0
(1,376)	Short Term Borrowing	18	(5,135)
(13,377)	Short Term Creditors	18,23	(15,364)
(14,753)	Current Liabilities		(20,499)
(576)	Long Term Creditors	18	(342)
(3,589)	Provisions	24	(3,205)
(75,354)	Long Term Borrowing	18	(77,354)
(85,521)	Other Long Term Liabilities	4,44	(85,858)
(165,040)	Long Term Liabilities		(166,759)
189,731	Net Assets		200,738

BALANCE SHEET AS AT 31 MARCH 2018

31 March 2017 £'000		Notes	31 March 2018 £'000
34,539	Usable reserves		35,274
2,312	General Fund	MIRS	1,610
7,018	Earmarked Reserves	10	6,131
1,087	Housing Revenue Account	MIRS	1,023
89	HRS	MIRS	89
10,680	Major Repairs Reserve	MIRS/HRA4	12,841
9,398	Capital Receipts Reserve	MIRS	9,245
398	Capital Grants Unapplied	MIRS	385
3,557	Insurance Fund	10	3,950
155,192	Unusable Reserves		165,464
22,723	Revaluation Reserve	26a	22,145
(85,521)	Pensions Reserve	26,44	(85,858)
219,275	Capital Adjustment Account	26b	228,813
57	Deferred Capital Receipts	26c	57
(60)	Financial Instruments Adjustment Account	26d	(58)
400	Available-for-Sale Financial Instruments Reserve	26e	458
(1,257)	Collection Fund Adjustment Account	26f	342
(425)	Accumulated Absences Account	26g	(435)
189,731	Total Reserves		200,738

CASH FLOW STATEMENT

31 March 2017 £'000		Notes	31 March 2018 £'000
56,294	Net surplus or (deficit) on the provision of services		6,214
(26,539)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	11,001
(20,328)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(7,673)
9,427	Net cash flows from Operating Activities		9,542
(11,021)	Investing Activities	30	(15,660)
1,692	Financing Activities	31	6,753
98	Net (increase) or decrease in cash and cash equivalents		635
143	Cash and cash equivalents at the beginning of the reporting period		241
241	Cash and cash equivalents at the end of the reporting period	21	876

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NOTES TO THE ACCOUNTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other Notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £2,000 in any single case.

Note 1 – Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis which assumes that the functions of the Council will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis meaning that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are charged with the following amounts to reflect the cost of holding fixed assets during the year:

- depreciation of the assets used by the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off
- amortisation of intangible fixed assets used by the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council in March each year as part of the Treasury Management Strategy. Depreciation, revaluation and impairment losses and amortisation are replaced by the MRP and VRP, by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

7. Council Tax and Non-Domestic Rates

The Council (as the billing authority) acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Lincolnshire County Council and Lincolnshire Police (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, all share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

8. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or time off in lieu, earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which employees take the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs of restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, transfers are required to and from the Pensions Reserve to remove notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lincolnshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the protected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecasts of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the pension scheme actuary (based on the yield of UK Government Bonds plus a 'credit spread' allowance to reflect the extra risk involved in using AA corporate bond yields).

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest cost on the net defined benefit liability (asset), i.e net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

– charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Local Government Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, any premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the unexpired life of the original loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, with interest receivable within one year shown under short term investments and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in the Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices in active markets for identical assets – the market price
- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuation or most recent price at which the shares changed hands.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

11. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign

currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12. Government Grants and Contributions

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

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

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

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

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

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable development for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of

infrastructure projects (these include transport and schools) to support the development of the area.

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

13. Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council for a period of more than one year.

Internally generated intangible assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the Council's website is not capitalised as the website is primarily intended to promote or advertise the Council's services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

Intangible assets are amortised over their useful life and charged to the relevant service lines in the Comprehensive Income and Expenditure. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Interests in Companies and other Entities

Councils are required to produce Group Accounts to include services offered to Council Tax payers by organisations other than the Council itself but in which the Council has an interest. There are a number of criteria set out by which the Council

must determine whether the value of the company and the Council's interest is significant enough for Group Accounts to be produced. The Council has complied with the Code of Practice on Local Authority Accounting, and while it has identified a company over which it has joint control, it has concluded that the company does not meet the criteria that would require consolidation into the Council's accounts.

15. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the FIFO or weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. If and when these exist the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a

separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

18. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (Voluntary Revenue Provision - VRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the VRP in the General Fund Balance, by way of an adjusting transaction with the

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased asset. Charges are made on a straight-line basis over the term of the lease.

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserve Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

19. Overheads and Support Services

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

20. Non-Current Assets – Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. Repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

When decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – straight-line allocation over the replacement lives of the major components as identified within the Housing Investment Programme
- Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

Where an item of property, plant or equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A major component is defined as comprising at least 20% of the value and having a useful life of 50% or less of that of the parent asset.

Council dwellings are separated into their principal components, which are depreciated separately. The components are defined by reference to the Building & Construction Industry Standard (BCIS) and the Housing Investment Programme elements. The replacement life cycles as recommended by BCIS and the Housing Investment Programme are used for the purposes of depreciation. Components are depreciated based on the existing Use Social Housing value.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

21. Heritage Assets

The Council holds a number of Heritage Assets, which can be grouped into the following categories:

- Civic Insignia
- Art and Sculptures
- Musical Instruments
- Vehicles
- Ancient Monuments and War Memorials
- Miscellaneous

These are not held in a single collection but in a number of appropriate locations, where they are considered to contribute to increasing the knowledge, understanding and appreciation of the Council's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

- **Civic Insignia**

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office, mace and ceremonial swords. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The civic insignia are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Art and Sculptures**

This category includes paintings and a number of public art works such as statues and sculptures. Where a valuation is available e.g. an insurance valuation, the asset is reported in the balance sheet at this valuation. However, for a number of public art sculptures and statues, no cost or valuation information is available and consequently, these assets are not recognised in the balance sheet. Where artworks are recognised, they are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation.

- **Musical Instruments**

The Council holds a Steinway grand piano at the Drill Hall and a Stradivarius violin, which is on loan to the Halle orchestra. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The instruments are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Vehicles**

The Council holds one diesel locomotive as a heritage asset. This is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are subject to periodic reviews by a specialist valuer. The vehicle is deemed to have indeterminate lives as it is not in operation but is on display; hence the Council does not consider it appropriate to charge depreciation.

- **Ancient Monuments and War Memorials**

This category includes various roman ruins and ancient structures and four war memorials. The Council does not consider that reliable cost or valuation information can be obtained for the items in this category. This is because of the nature of the assets held and the lack of market values. Consequently, these assets are not recognised in the Balance Sheet.

- **Miscellaneous**

This category includes any other assets which are being held for their contribution to knowledge and culture but do not readily fall into the above categories. One example is the collection of Books of Remembrance held at the City crematorium. These items are reported in the Balance Sheet at either cost or insurance valuation where material. No depreciation is charged on these assets.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's accounting policies on impairment. The Council may occasionally dispose of heritage assets which are unsuitable for public display or to an appropriate body which will ensure the asset is maintained and displayed within a suitable collection e.g. to a museum or historical trust. The proceeds of such items are accounted for in accordance with the Council's accounting policy on disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

22. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed
- Expected to be sold within 12 months

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus and Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account in the General Fund Balance in the Movement in Reserves Statement.

23. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in

that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

27. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing an asset or liability (assuming they were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques, which takes into account the three levels of inputs to valuations for fair value assets:

- Level 1 – quoted prices

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2 – Accounting Standards Issued, Not Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (the Code) has introduced new and amended accounting standards as follows:

- IFRS 9 Financial Instruments - which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets.
- IFRS 15 Revenue from Contracts with Customers – which presents new requirements for the recognition of revenue, based on a control-based revenue recognition model.
- Amendment IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - applies to deferred tax assets related to debt instruments measured at fair value.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative – which will potentially require some additional analysis of Cash Flows from Financing Activities

These accounting changes which will be required from 1 April 2018.

The adoption of these new and amended standards is not expected to have a material impact on the Council's statement of accounts.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- **Local Government funding** - There is a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision.
- **Group Boundaries** - The Council has a collaborative arrangement with the Lincolnshire County Council, North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also

has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as a Jointly Controlled Operation, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

- **Investment properties** - Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which are subject to interpretation.
- **Leases** - The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- **Investments** - Investment in banks and other financial institutions are secure and will not suffer impairments.

Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Business Rates</p> <p>Balance Sheet 31 March 2018 – Provision for Business Rate Appeals (£3.057m)</p>	<p>Since the introduction of the Business Rates Retention Scheme effective from April 2013, local authorities are liable for successful appeals against business rates charges to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31st March 2018. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date.</p>	<p>The Council's share of the balance of business rates appeals at 31 March 2018 amounted to £3.057m, a decrease of £0.257m/7.8% from the previous year. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.306m.</p>
<p>Property, Plant and Equipment (PPE)</p> <p>(Balance Sheet 31 March 2018 – PPE £333m)</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.</p>	<p>If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.64m for every year that the useful lives had to be reduced.</p>
<p>Assets held for sale and investment properties</p> <p>(Balance Sheet 31 March 2018 - assets held for sale £4.6m - Investment properties £16.2m)</p>	<p>Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.</p>	<p>A 1% reduction in the value of investment properties would result in a charge to the Comprehensive Income & Expenditure Statement of £0.21m; a 1% increase in value would result in the recognition of a gain of £0.21m in the Comprehensive Income & Expenditure Statement.</p>
<p>Arrears</p> <p>Balance Sheet 31 March 2018 - Debtors total of £10.2m includes £5.7m debtors (subject to arrears)</p>	<p>As at 31 March 2018, the Council had a balance on current debtors of £5.654m. A review of significant balances suggested that an impairment of doubtful debts of £1.849m was required.</p>	<p>If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.283m to be set aside as an allowance.</p>
<p>Pension Liability</p> <p>Balance Sheet 31 March 2018 - pensions liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase,</p>	<p>The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
£85.9m)	changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.	discount rate assumption would result in an increase in the pension liability of £20.590.
Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Investments Balance Sheet 31 March 2018 - Short term investments £15.6m - Long term investments £0.4m)	At 31 March 2018, the Council held £15.616m of short term investments. These comprise £6.602m invested in AAA-rated instant access Money Market Funds; £8.012m invested in A rated UK banks and £1.001m invested in local authorities, all for periods of up to 1 year.	As most of the investments are either in AAA-rated MMF's or short term deposits in A rated UK banks, the risk of impairment is considered to be minimal. Also there is a short term deposit with a local authority, which is again very low risk.

Note 5 – Prior Period Adjustment

There were no prior period adjustments in 2017/18.

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7A – Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS								
2016/17					2017/18			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
2,229	362	16	2,607	Chief Executive's Directorate	330	1,009	28	1,367
550	83	(51)	582	Housing and Regeneration	2	262	10	274
(54,096)	752	(1)	(53,345)	Housing Revenue Account (HRA)	(4,595)	1,381	(10)	(3,224)
6,759	301	3	7,063	Communities and Environment	2,471	843	(12)	3,302
2,450	10	15	2,475	Major Developments	4,172	55	(6)	4,221
0	(736)	0	(736)	Corporate	0	(896)	0	(896)
(42,108)	771	(18)	(41,355)	Net Cost of Services	2,380	2,654	10	5,044
(16,244)	1,363	(476)	(15,357)	Other Income & Expenditure from the Funding Analysis	(12,286)	1,365	(1,599)	(12,520)
(58,352)	2,134	(494)	(56,712)	Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(9,906)	4,019	(1,589)	(7,476)

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2016/17	2017/18
	£'000s	£'000s
Chief Executive's Directorate	(4,424)	(4,759)
Housing & Regeneration	(498)	(588)
Housing Revenue Account (HRA)	(29,232)	(28,990)
Communities & Environment	(8,925)	(9,027)
Major Developments	(591)	0
Corporate	(208)	(11)
Total Income analysed on a Segmental Basis	(43,878)	(43,374)

Note 8 – Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

	2016/17	2017/18
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	21,746	23,026
Other Services Expenses	66,912	66,111
Support Service Recharges	2,750	3,054
Depreciation, Amortisation, and Impairment	(35,994)	4,743
Interest Payments	7,823	9,569
Precepts and Levies	795	803
Payments to Housing Capital Receipts Pool	534	529
Gain on Disposal of Assets	4,076	(985)
Total Expenditure	68,642	106,851
Income		
Fees, Charges and other Service Income	(60,496)	(59,631)
Interest and Investment Income	(2,555)	(3,493)
Income from Council Tax and Non-Domestic Rates	(9,916)	(10,283)
Government Grants and Contributions	(51,969)	(39,658)
Total Income	(124,936)	(113,065)

Surplus or Deficit on the Provision of Services	(56,294)	(6,214)
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Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (the balance is not available to be applied to funding HRA services).

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2017/18	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,638	1,381	0	0	0	4,019
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	(2)
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(1,599)	0	0	0	0	(1,599)
Holiday Pay (transferred to the Accumulated Absences Reserve)	20	(10)	0	0	0	10
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,104	(7,728)	0	0	3,002	(622)
Total Adjustments to Revenue Resources	5,161	(6,357)	0	0	3,002	1,806
Adjustments between Revenue and Capital Resources						0
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,370)	(3,830)	5,200	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(765)	0	639	0	(126)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(484)	0	(150)	0	0	(634)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(360)	0	0	0	0	(360)
Total Adjustments between Revenue and Capital Resources	(1,685)	(4,595)	4,521	639	0	(1,120)

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2017/18	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,674)	0	0	(4,674)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	0
Application of Capital grants to finance capital expenditure	0	0	0	0	(3,016)	(3,016)
Total Adjustments to Capital Resources	0	0	(4,674)	0	(3,016)	(7,690)
Total Adjustments	3,476	(10,952)	(153)	639	(14)	(7,004)

2016/17	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,382	752	0	0	0	(2,134)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	2
Council Tax and NNDR (transfers to (or from) the Collection Fund Adjustment Account)	(476)	0	0	0	0	476
Holiday Pay (transferred to the Accumulated Absences Reserve)	(18)	(1)	0	0	0	19
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(924)	(48,045)	0	0	13,548	35,421
Total Adjustments to Revenue Resources	(38)	(47,294)	0	0	13,548	33,784
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,362)	(4,954)	7,316	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	534	0	(534)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(1,097)	0	1,097	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,044)	0	0	0	0	1,044
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(458)	0	0	0	0	458
Total Adjustments between Revenue and Capital Resources	(3,330)	(6,051)	6,782	1,097	0	1,502

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2016/17	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,708)	0	0	2,708
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	0
Application of Capital grants to finance capital expenditure	0	0	0	0	(13,681)	13,682
Total Adjustments to Capital Resources	0	0	(2,708)	0	(13,681)	16,390
Total Adjustments	(3,368)	(53,345)	4,073	1,097	(133)	51,675

Note 10 – Movements in Earmarked Reserves

These amounts are held to meet expenditure in future financial years. The movements on these Revenue Reserve Accounts during the year have been as follows:

	Balance @ 31.03.16 £'000	Appropriations Transfers In £'000	Transfers Out £'000	Balance @ 31.03.17 £'000	Movements	Appropriations Transfers In £'000	Transfers Out £'000	Balance @31.03.18 £'000
General Fund								
Business Rates Volatility	1,684	92	(1,067)	709	0	450	(621)	539
Strategic Projects	867	504	0	1,371	0	0	(875)	496
Budget Carry Forwards	445	88	(193)	340	(115)	231	(133)	324
Grants & Contributions	408	161	(206)	363	0	483	(59)	787
Invest to Save (GF)	397	401	(602)	196	(5)	171	(53)	307
Mercury Abatement	319	88	(61)	346	0	91	(60)	378
Strategic Growth (GF)	290	224	(90)	424	0	100	(423)	100
Unused DRF	239	333	(295)	277	125	172	(352)	221
Backdated Rent Review	220	0	0	220	0	0	0	220
Funding for Strategic Priorities	206	0	(85)	121	60	0	(153)	28
IT Reserve	161	112	(53)	220	(64)	100	(39)	217
LAMS Interest	158	41	(199)	0	0	0	0	0
Revenues & Benefits Shared Service	156	0	(22)	134	0	50	(21)	163
Asset Improvement	140	373	(423)	90	0	0	(18)	72
Transport Hub Mitigation	124	0	0	124	0	0	(124)	0
Benefits - Subsidy Adjustment	100	0	(100)	0	0	0	0	0
Tree Risk Assessment	99	20	(22)	97	0	20	(11)	106
The Terrace R&M	62	0	(62)	0	0	0	0	0
MA Reserve	61	0	(9)	52	0	0	0	51
Organisational Development	60	81	(94)	47	0	0	(39)	8
Mayoral Car	50	3	(6)	47	0	0	0	47
Yarborough Leisure Centre	45	0	(43)	2	0	0	0	2
Private Sector Stock Condition Survey	39	12	0	51	0	12	0	63
Property Searches	36	0	0	36	0	0	0	36
Managed Workspace	35	0	0	35	0	0	0	35

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	Balance @ 31.03.16 £'000	Appropriations Transfers In Transfers Out £'000 £'000		Balance @ 31.03.17 £'000	Movements	Appropriations Transfers In Transfers Out £'000 £'000		Balance @31.03.18 £'000
County Wide Broadband Initiative	34	0	0	34	0	0	(34)	0
Boston Audit Contract	14	0	0	14	0	0	0	14
Section 106 Interest	14	0	0	14	0	18	0	32
Christmas Decorations	14	3	0	17	0	0	0	17
Electric Van Replacement	13	4	0	17	0	4	0	22
Christmas Market	0	25	0	25	0	0	(25)	0
Air Quality Initiatives	11	6	0	17	0	6	0	23
Commons Parking	10	4	0	14	0	13	0	27
Tank Memorial	10	0	0	10	0	0	0	10
Income Volatility Reserve	0	0	0	0	0	178	0	178
City Hall Sinking Fund	0	0	0	0	0	36	0	36
Total General Fund Earmarked Reserves	6,521	2,575	(3,632)	5,464	0	2,135	(3040)	4,559
HRA								
HRA Strategic Growth	399	0	(250)	149	0	178	(150)	178
HRA Invest to Save	164	0	0	164	0	3	(26)	140
Capital Fees Equalisation	278	0	(37)	241	0	0	(3)	238
HRA Strategic Priority	240	0	0	240	0	0	0	240
De Wint Court	0	73	0	73	0	0	0	73
HRA Repairs Account	500	8,193	(8,083)	611	0	8,394	(8,381)	624
HRA Survey Works	51	3	0	54	0	3	0	57
Stock Retention	22	0	0	22	0	0	0	22
Municipal House Building	60	0	(60)	0	0	0	0	0
Total HRA Earmarked Reserves	1,714	8,266	(8,430)	1,554	0	8,578	(8560)	1,572
Total Earmarked Reserves	8,235	2,762	(3,983)	7,018	0	10,713	(11,600)	6,131
Insurance Fund	3,228	567	(238)	3,558	0	468	(75)	3,950
Total Earmarked Reserves	11,463	3,329	(4,221)	10,576	0	11,181	(11,675)	10,081

Insurance Reserve

The insurance fund has been set up to ensure adequate funding for the insurance risk covered by the City of Lincoln Council. In 2017/18 the risk in respect of Public Liability Insurance had an excess of £100,000 (per claim) with no cap ceiling. The movements on the fund are as follows:

2016/17 £'000		2017/18 £'000
3,228	Opening Balance	3,557
(124)	Funding of claims/losses	(82)
452	Contributions from revenue	475
<u>3,557</u>	Closing Balance	<u>3,950</u>

Note 11 – Other Operating Expenditure

2016/17 £'000		2017/18 £'000
795	Levies	803
534	Payments to the Government Housing Capital Receipts Pool	529
4,075	(Gains)/losses on the disposal of non-current assets	(985)
<u>5,404</u>	Total	<u>348</u>

Note 12 - Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
3,203	Interest payable and similar charges	3,195
2,285	Net interest on the net defined liability	(2,332)
(1,719)	(Surplus)/Deficit on Trading Operations	2,245
(199)	Interest Receivable and similar income	(108)
<u>3,570</u>	Total	<u>3,000</u>

Note 13 – Taxation and Non-Specific Grant Income

2016/17 £'000		2017/18 £'000
(5,969)	Council Tax income	(6,176)
(3,947)	Retained Business Rates income and expenditure	(5,158)
(3,990)	Non ring-fenced government grants	(2,644)
(13,548)	Capital grants and contributions	(3,002)
<u>(27,454)</u>	Total	<u>(16,980)</u>

Note 14 – Non-Current Assets including Property, Plant & Equipment and Intangible Assets

The movement in the Council's Fixed Assets during the year was as follows:

Movements in 2017/18											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2017	223,233	69,026	9,603	0	3,333	4,289	12,281	321,765	2,416	8,519	332,700
Additions	7,528	1,745	40	0	974	46	16,969	27,301	151	6,965	34,418
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	20	(80)	0	0	2	180	0	123	0	0	123
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	19	(466)	0	0	(3)	0	0	(450)	0	(248)	(698)
De-recognition and disposals	(2,377)		(16)	0	0	(160)	0	(2,553)	(686)	0	(3,239)
Other movements in cost or valuation	173	22,319	720	0	0	(1,491)	(24,352)	(2,631)	0	988	(1,644)
At 31 March 2018	228,597	92,554	10,346	0	4,306	2,864	4,898	343,555	1,882	16,225	361,662
Depreciation											
At 1 April 2017	(23)	(1,454)	(7,709)	0	(119)	(9)	0	(9,314)	(1,787)	0	(11,101)
Depreciation for year	(10,367)	(1,179)	(445)	0	0	(4)	0	(11,995)	(212)	0	(12,207)
Depreciation written out to the Revaluation Reserve	6	301	0	0	0	8	0	315	0	0	315

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Movements in 2017/18												
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,258	0	0	0	0	0	0	0	10,258	0	0	10,258
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	7	0	7	7	0	0	7
De-recognition – disposals	116	0	0	0	0	0	0	116	116	0	0	116
De-recognition – other	0	0	16	0	0	0	0	16	16	686	0	702
Other movements in cost or valuation	0	28	0	0	0	(7)	0	21	21	0	0	21
At 31 March 2018	(10)	(2,304)	(8,138)	0	(119)	(5)	0	(10,576)	(10,576)	(1,313)	0	(11,889)
Net book value of assets at 31.03.18	228,587	90,240	2,208	0	4,187	2,859	4,898	332,979	332,979	569	16,225	349,772
Net book value of assets at 31.03.17	223,210	67,572	1,894	0	3,214	4,280	12,281	312,451	312,451	629	8,519	321,599
Owned	228,587	90,240	1,633	0	4,187	2,859	4,898	332,404	332,404	569	16,225	349,198
Finance lease	0	0	575	0	0	0	0	575	575	0	0	575

Movements in 2016/17											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2016	177,586	71,171	8,974	0	2,994	4,580	2,438	267,743	2,179	9,664	279,586
Additions	7,628	5,515	16	0	339	270	10,015	23,783	65	0	23,848
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	699	0	0	0	341	0	1,040	0	10	1,040
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	40,197	(108)	0	0	0	0	0	40,089	0	776	40,865
De-recognition - disposals	(2,178)	(6,138)	0	0	0	(1,046)	0	(9,362)	0	(1,226)	(10,588)
De-recognition - other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(2,113)	613	0	0	144	(172)	(1,528)	172	(695)	(2,051)
At 31 March 2017	223,233	69,026	9,603	0	3,333	4,289	12,281	321,765	2,416	8,519	332,700
Depreciation & Impairments											
At 1 April 2016	(17)	(1,427)	(7,270)	0	(119)	(7)	0	(8,840)	(1,613)	0	(10,453)
Depreciation for year	(10,824)	(1,221)	(439)	0	0	(2)	0	(12,846)	(174)	0	(12,660)
Depreciation written out to the Revaluation Reserve	0	929	0	0	0	0	0	929	0	0	929
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,710	0	0	0	0	0	0	10,710	0	0	10,710

Movements in 2016/17											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
De-recognition - disposals	108	265	0	0	0	0	0	373	0	0	373
De-recognition - other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2017	(23)	(1,454)	(7,709)	0	(119)	(9)	0	(9,314)	(1,787)	0	
Net book value of assets at 31.03.17	223,210	67,572	1,894	0	3,214	4,280	12,281	312,451	629	8,519	321,599
Net book value of assets at 31.03.16	177,569	69,774	1,704	0	2,875	4,573	2,438	251,971	566	9,664	262,201
Owned	223,210	67,572	1,128	0	3,214	4,280	12,281	311,685	629	8,519	320,833
Finance lease	0	0	766	0	0	0	0	766	0	0	766

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Fixed Asset Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment and Investment Properties required to be measured at fair value are revalued at least every five years. The statement below shows the progress of the Council's rolling programme of fixed asset revaluations.

	Council Dwellings	Operational Land & Buildings	Vehicles Plant & Equip.	Investment Properties
	£'000	£'000	£'000	£'000
Valuation at historical cost		15,585	3,408	
Valued at current value as at:				
01/04/17	225,338	68,102		8,519
01/04/16	222,519	71,210		9,665
01/04/15	176,438	67,587		11,621
01/04/14	174,971	66,679		11,219
01/04/13	170,075	64,752		10,065

The valuations of the Council's freehold and leasehold properties have been carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. All valuations are either undertaken by the following Council Officers, or by the District Valuer.

Principal Property Surveyor	Mr P Clifton	MRICS
Senior Property Surveyor	Mr A Wiswould	MRICS

Fixed Assets Depreciation

Tangible Fixed Assets

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. Non-operational assets are treated as investment properties and as such are not depreciated. The standard useful lives of assets, used for depreciation purposes (unless overwritten by asset valuations), are as follows:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Council Dwellings	Various – average based on major components
Other Land & Buildings	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
Vehicles, Plant & Equipment	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years
Infrastructure Assets	50 years

Intangible Assets

Intangible fixed assets are amortised in the Income and Expenditure Account on a straight-line basis, as stated in the Accounting Policies. The standard useful life, used for amortisation purposes is:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Intangible Asset	
- Software	5 years

Note 15 – Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Heritage Vehicles £'000	Musical Instruments £'000	Civic Insignia £'000	Other £'000	Total Assets £'000
Cost or Valuation					
At 1 April 2016	140	2,570	2,357	276	5,343
Additions	0	0	0	133	133
Revaluations	0	0	2	0	2
At 31 March 2017	140	2,570	2,359	409	5,478
Cost or Valuation					
At 1 April 2017	140	2,570	2,359	409	5,478
Additions					0
De-recognitions	(103)	0	0	0	(103)
Revaluations	1	715	0	0	716
At 31 March 2018	38	3,285	2,359	409	6,091

Heritage Vehicles

The Council's heritage vehicles are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed

annually and revalued every five years by an appropriately qualified external valuer.

Musical Instruments

This category contains a donated asset, a violin by Antonio Stradivari of Cremona dated 1695, which is on loan to the Halle Orchestra. The violin was last valued at the end of 2017/18 by external valuers, Ingles and Hayday, at £3.2m.

Civic Insignia

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office and mace. All items are on display at the Guildhall, Lincoln. It also includes four ceremonial and fighting swords of considerable historical significance, which together are valued at £2.4m. The Council's collection of civic insignia is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually and revalued every five years by an appropriately qualified external valuer. These were revalued at 31st March 2017 by external valuers Bamfords.

Other Heritage Assets

This category includes artwork and paintings and miscellaneous assets recognised in the Balance Sheet, such as the Books of Remembrance kept on display at the City Crematorium. These are reported at insurance valuation which is based on market values and are subject to periodic revaluation by an appropriately external qualified valuer. These were revalued at 31st March 2017 by external valuers Bamfords.

Heritage Assets not recognised in the Balance Sheet

In addition to the assets recognised in the Balance Sheet and disclosed in the above table, the Council holds a number of assets which are by their nature heritage assets but are not recognised in the Balance Sheet. The Council does not consider that reliable cost or valuation information can be obtained for these assets due to the nature of the assets and the lack of market values. Examples of this type of asset are ancient structures and ruins, War memorials and public art. These are listed below.

Scheduled Ancient Monuments

St Paul in the Bail	Walls & Well
Saltergate Roman Wall and Posterngate	Wall & Gate
Mint Wall, West Bight	Wall
Pottergate	Arch
Lower West Gate & Wall, City Hall	Gate & Wall
St Marys Conduit	Conduit
Temple Gardens, Close Wall	Wall
Roman Wall, Mary Sookias House, Cecil street	Wall

Memorials

High Street	War memorial
Dixon Street	War memorial
Birchwood Avenue	War memorial

Scheduled Ancient Monuments

Newark Road/Maple Street

War memorial

Public Art

The Chimes, Brayford Wharf North

Artwork

Empowerment, Waterside

Artwork

Exotic Cone I and II

Artwork

Lilies, Altham Terrace

Artwork

Lion, Arboretum

Artwork

Love Seat, The Lawn

Artwork

Dr Charlesworth Statue, The Lawn

Artwork

Mother and Child, The Lawn

Artwork

St Marks Obelisk

Artwork

Light Sculpture, Wigford Bridge

Artwork

Note 16 – Investment Properties and Surplus Assets

Movements in the value of Investment Properties are shown in note 14.

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:

2016/17*		2017/18
£'000		£'000
916	Rental income from investment property	1,012
(185)	Direct operating expenses arising from investment property	(180)
731	Net gain/(loss)	832

*Restated to be comparable with 2017/18

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The movements in the value of investment properties are analysed below:

2016/17		2017/18
£'000		£'000
9,664	Balance at 1 April	8,519
0	Additions	6,965
(1,226)	Disposals	0
776	Net gain/loss from Fair Value Adjustment	(248)
(695)	Transfers (to)/from Other Land and Buildings	988
8,519	Balance at 31 March	16,224

Fair Value Hierarchy

The Council's Investment Properties have been assessed as being Level 2 on the Fair Value Hierarchy (See Note 1 Accounting Policies, point 20 for an explanation of fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

An income-investment approach has been used to determine the fair value of Investment Properties. This technique involves an assessment of potential future net incomes flowing from the property. In the case of the majority of properties that are currently let, this reflects terms of the existing lease including passing rents and any scheduled rent reviews and, if later, ultimate reversion to full market rental value. In the case of properties that are currently vacant, it is assumed that a letting is immediately sought at full market rental value and otherwise on optimum letting terms from the perspective of a market participant. Potential future net income flows are then capitalised using market all-risks term and reversionary yields to derive a present value, thus representing Market Value.

There has been no change in the valuation techniques used during the year for Investment Properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The Investment Properties that were valued at 31 March 2018 were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Surplus Assets

Movements in the value of Surplus Assets are shown in note 14.

The current value measurement base for surplus assets is fair value, estimated at highest and best use from a market participant's perspective. There have been no transfers between the levels of the hierarchy during the year. A transfer would occur when more detailed market information becomes available.

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

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

The Council's surplus assets are all valued using level three inputs due to their latent value or specialist nature.

Note 17 – Intangible Assets

Movements in the value of Intangible Assets are shown in note 14. No internally generated intangible assets are recognised in the Balance Sheet. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £212k was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31-Mar-17 £000	31-Mar-18 £000	31-Mar-17 £000	31-Mar-18 £000
Borrowings				
Financial Liabilities at Amortised Cost *	(75,354)	(77,354)	(1,376)	(5,135)
Total Borrowings	(75,354)	(77,354)	(1,376)	(5,135)
Creditors				
Financial liabilities at amortised cost	(576)	(342)	(8,593)	(8,567)
Total Creditors	(576)	(342)	(8,593)	(8,567)
Investments				
Loans and Receivables	0	0	20,823	15,615
Available-for-Sale Financial Assets	416	473	0	0
Total Investments	416	473	20,823	15,615
Debtors				
Loans and receivables **	141	133	13,581	7,304
Total included in Debtors	141	133	13,581	7,304
Cash and Cash equivalents				
Financial liabilities at amortised cost	0	0	0	0
Loans and receivables	0	0	240	875
Total Cash and cash equivalents	0	0	240	875

* The Financial Liabilities include the loans that the Council holds for some small local charities (£0.030m) and Bonds (£0.003m)

** The amount shown for Short-term Debtors is net of the Bad Debt Provision for Debtors.

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2017/18	Financial Liabilities	Financial Assets			Total
	Amortised cost	Loans and Receivables	Available-for-Sale Assets	Fair Value through the CIES	
	£'000	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement					
Interest Expense	3,195	0	0	0	3,195
Interest payable and similar charges	3,195	0	0	0	3,195
Interest Income	0	(110)	(22)	0	(132)
Interest and investment income	0	(110)	(22)	0	(132)
Surplus or deficit arising on revaluation of financial assets in other Comprehensive Income & Expenditure	0	0	(58)	0	(58)
Net (gain)/loss for the year	3,195	(110)	(80)	0	3,005

2016/17	Financial Liabilities	Financial Assets			Total
	Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Fair Value through the CIES	
	£'000	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement					
Interest Expense	3,203	0	0	0	3,203
Interest payable and similar charges	3,203	0	0	0	3,203
Interest Income	0	(178)	(21)	0	(199)
Interest and investment income	0	(178)	(21)	0	(199)
Surplus or deficit arising on revaluation of financial assets in other Comprehensive Income & Expenditure	0	0	3	0	3
Net (gain)/loss for the year	3,203	(178)	(18)	0	3,007

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by

calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

31/03/17			31/03/18	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
59,956	72,727	PWLB Debt	59,956	71,653
16,176	26,821	Money Market Debt	16,175	26,345
565	561	Stock	565	561
34	34	Other	5,762	5,900
<u>76,731</u>	<u>100,143</u>	Total Debt	<u>82,458</u>	<u>104,459</u>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This is to be expected given that the current rates of interest are at a historically low level.

Financial Assets

31/03/17			31/03/18	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
20,823	20,823	Money Market Investments <1 year	15,600	15,615
0	0	Money Market Investments >1 year	0	0
<u>20,823</u>	<u>20,823</u>	Total Investments	<u>15,600</u>	<u>15,615</u>

The differences are attributable to fixed interest instruments payable being held by the Council, whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial assets and raises the value of loans and receivables.

The fair value of Public Works Loan Board (PWLB) loans of £71.653m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £59.956m would be valued at £71.653m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £83.35m.

Trade debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 19 – Inventories

In undertaking its work the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The figure shown in the Balance Sheet may be subdivided as follows:

	Consumable Stores		City Maintenance Services Materials		City Maintenance Services Work in Progress		Total	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance outstanding at the start of the year	69	91	70	59	194	173	333	324
Purchases	31	14	0	0	0	0	31	14
Recognised as an expense in the year	(9)	(33)	(11)	(54)	(20)	(30)	(40)	(118)
Balance outstanding at the year-end	91	72	59	5	174	142	324	220

Note 20 – Debtors

Debtors listed under current assets are monies due which the Council expects to collect within one year of the Balance Sheet date and are analysed as follows:

31/03/17			31/03/18	
£'000				
9,803	Central Government Bodies		1,518	
1,716	Other Local Authorities		1,789	
2	NHS Bodies		1	
10,146	Other Entities and Individuals		10,696	
21,667	Total		14,004	

Debtors balances are shown gross of impairment of doubtful debts (£3.762m in 2017/18, £3.693m in 2016/17).

Note 21 – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31/03/17			31/03/18	
£'000			£'000	
1	Cash held by the Council		1	
240	Bank Current accounts		875	
241			876	

Note 22 – Assets Held for Sale

The Authority had 2 pieces of development land as assets held for sale at the beginning of the year. One was sold during the year. The Authority also purchased and sold the Ermine School site during the year. At the end of the year, the authority held 5 pieces of development land as assets held for sale. The sales have been approved but were not completed as at 31st March 2018. These assets are included as Current Assets as at 31st March 2018.

Current	Non-current		Current	Non-current
2016/17	2016/17		2017/18	2017/18
£000	£000		£000	£000
550	0	Balance at start of the year	2,525	0
0	0	Additions	769	0
		Newly classified:		
3,141	0	- Property Plant & Equipment	1,543	0
334	0	Revaluation gain/(loss)	1,531	0
0	0	Transfers from non-current to current	0	0
(1,500)	0	Disposals	(1,794)	0
2,525	0	Closing Balance	4,575	0

Note 23 – Creditors

Creditors shown as current liabilities are amounts payable by the Council within one year of the Balance Sheet date and are analysed as follows:

31/03/17		31/03/18
£'000		£'000
(4,691)	Central Government Bodies	(6,134)
(361)	Other Local Authorities	(246)
(8,324)	Other Entities and Individuals	(8,985)
(13,376)	Total	(15,365)

Note 24 – Provisions

These amounts are set aside to provide for potential liabilities relating to specific occurrences and comprise the following balances:

	Licensing Legal Case	Business Rates RV Reduction the Think Tank	Compulsory Purchase Order	Local Authority Mortgage Scheme	Redundancy Provision	Business Rates Appeals
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(10)	(37)	(85)	0	(143)	(3,314)
Additional Provisions made in 2017/18	0	0	(2)	(14)	0	(968)
Amounts used in 2017/18	0	0	0	0	143	421
Unused Amounts Reversed in 2017/18	0	0	0	0	0	804
Unwinding of Discounting in 2017/18	0	0	0	0	0	0
Balance at 31 March 2018	(10)	(37)	(87)	(14)	0	(3,057)

The provision for business rate appeals represents the Council's share (40% of £7.642m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2018. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

Note 25 – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

Note 26 – Unusable Reserves

The Council keeps a number of unusable reserves in the Balance Sheet. Some are required to be held for statutory reasons; some are needed to comply with proper accounting practice.

Reserve	Balance 31/03/17	Net Movement in Year	Balance 31/03/18	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	22,722	(576)	22,146	Store of gains on revaluation of fixed assets	a) below
Pensions Reserve	(85,521)	(337)	(85,858)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	219,273	9,538	228,811	Store of capital resources set aside to meet past expenditure	b) below
Deferred Capital Receipts	57	0	57	Expected future repayments from sales of assets received in instalments	c) below
Financial Instruments Adjustment Account	(60)	2	(58)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Available-for-Sale Financial Instruments Account	400	58	458	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	52	(7)	45	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below
Collection Fund Adjustment Account - NNDR	(1,309)	1,606	297	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below

Reserve	Balance 31/03/17	Net Movement in Year	Balance 31/03/18	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Accumulated Absences Account	(425)	(10)	(435)	Absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (i.e. annual leave entitlement carried forward at 31 March	g) below
	155,189	33,340	165,463		

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2016/17 £'000		2017/18 £'000
(23,092)	Balance 1 April	(22,722)
(4,329)	Upward Revaluation of assets	(1,603)
1,733	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	545
<hr/>		<hr/>
(2,596)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,058)
230	Difference between fair value depreciation and historical cost depreciation	410
2661	Accumulated gains on assets sold or scrapped	1,117
75	Amounts written out to the Capital Adjustment Account	107
<hr/>		<hr/>
(22,722)	Balance 31 March	(22,146)

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties, *gains and losses on Assets held for Sale* and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £'000		2017/18 £'000
(165,968)	Balance 1 April	(219,273)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
12,588	Charges for depreciation and amortisation of non-current assets	12,207
0	Other movements on depreciation	0
(51,414)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(11,012)
3,011	Revenue expenditure funded from capital under statute	4,612
0	Assets under construction written off to revenue	7
11,391	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,098
0	Other adjustments	68
(24,424)		8,980
(2,966)	Adjusting amounts written out of the Revaluation Reserve	(518)
(27,391)	Net written out amount of the cost of non-current assets consumed in the year	8,462
	Capital Financing applied in year:	
(16,066)	Use of Capital Receipts to finance new capital expenditure	(4,674)
0	Use of Capital Receipts to reduce capital financing	(150)

2016/17 £'000		2017/18 £'000
	requirement	
(8,024)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,184)
(458)	Capital expenditure charged against the General Fund and HRA balances	(492)
(323)	Application of Capital Grants to finance new capital expenditure	(3,016)
(1,044)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(484)
<u>(25,915)</u>		<u>(18,000)</u>
<u>(219,273)</u>	Balance 31 March	<u>(228,811)</u>

c) Deferred Capital Receipts

This account contains the expected future repayments of capital from sales of assets which will be received in instalments over an agreed period of time. They arise principally from mortgages on sold council houses. When made, these payments are regarded as being of a capital nature and transactions during the year were as follows:

2016/17 £'000		2017/18 £'000
(57)	Balance 1 April	(57)
0	Council's share of (surplus)/deficit for the year	0
<u>(57)</u>	Balance 31 March	<u>(57)</u>

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code of Practice and are required by statute to be met from the General Fund and HRA balances.

2016/17 £'000		2017/18 £'000
62	Balance 1 April	60
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(2)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
<u>60</u>	Balance 31 March	<u>58</u>

e) Available-for-Sale Financial Instruments Account

The Available-for-Sale Financial Instruments Account contains the gains and losses arising from movements in fair value of Available-for-Sale investments, which are recognised in the Comprehensive Income and Expenditure Statement.

2016/17 £'000		2017/18 £'000
(403)	Balance 1 April	(400)
3	(Gain)/Loss on revaluations in year	(58)
(400)	Balance 31 March	(458)

f) Collection Fund Adjustment Account – Council Tax

The Council Tax Adjustment Account was introduced on 1 April 2009 to comply with the new accounting requirements for the Collection Fund contained within the Statement of Recommended Practice 2009/10 (SORP 2009). The difference between accrued income for the year as shown in the Income and Expenditure Account and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2016/17 £'000		2017/18 £'000
(139)	Balance 1 April	(52)
87	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7
(52)	Balance 31 March	(45)

f) Collection Fund Adjustment Account – NNDR

The NNDR Adjustment Account was introduced on 1 April 2013 to comply with the new regime for the collection of Business Rates and the resulting accounting requirements. The difference between accrued income for the year as shown in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2016/17 £'000		2017/18 £'000
1,872	Balance 1 April	1,309
(563)	Amount by which council non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(1,606)
1,309	Balance 31 March	(297)

g) Accumulated Absences Account

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund and HRA Balance from accruing for compensated absences earned but not taken in year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on General Fund and HRA Balance is neutralised by transfers to or from this account.

2016/17 £'000		2017/18 £'000
444	Balance 1 April	425
(444)	Settlement or cancellation of accrual made at the end of the preceding year	(425)
425	Amounts accrued at the end of the current year	436
(19)	Amount by which officer remuneration charged in the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11
425	Balance 31 March	435

Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
219	Interest received	156
(1,861)	Interest paid	(3,118)

Note 28 – Cash Flow Statement – Adjustment to surplus or deficit on provision of services for non-cash movements

2016/17 £'000		2017/18 £'000
12,486	Depreciation	12,112
(51,414)	Impairment and downward valuations	(9,895)
102	Amortisation	96
0	Increase/(decrease) in impairment for bad debts	0
(1,159)	Increase/(decrease) in creditors	294
(2,082)	(Increase)/decrease in debtors	1,499
9	(Increase)/decrease in inventories	104
2,134	Movement in pension liability	4,019
11,391	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,098
1,994	Other non-cash items charged to the net surplus or deficit on the provision of services	(326)
(26,539)		11,001

Note 29 – Cash Flow Statement – Adjustment to surplus or deficit on the provision of services for items that are investing & financing activities

2016/17 £'000		2017/18 £'000
(6,781)	Proceeds from sale of PPE, investment property and intangible assets	(4,671)
(13,547)	Any other items for which the cash effects are investing or financing cash flows	(3,002)
<u>(20,328)</u>		<u>(7,673)</u>

Note 30 – Cash Flow Statement - Investing Activities

2016/17 £'000		2017/18 £'000
(25,348)	Purchase of property, plant and equipment, investment property and intangible assets	(34,866)
(17,760)	Purchase of short-term and long-term investments	(15,600)
(1)	Other payments for investing activities	0
6,781	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,671
18,955	Proceeds from short-term and long-term investments	20,760
6,352	Other receipts from investing activities	9,375
<u>(11,021)</u>	Net cash flows from investing activities	<u>(15,660)</u>

Note 31 – Cash Flow Statement - Financing Activities

2016/17 £'000		2017/18 £'000
(204)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(506)
0	Cash receipts of short & long-term borrowing	5,750
(3)	Repayments of short- and long-term borrowing	0
1,899	Other payments for financing activities	1,509
<u>1,692</u>	Net cash flows from financing activities	<u>6,753</u>

Note 32 – Trading Operations

The Council operates a Housing Repairs Service (HRS), which carries out day to day maintenance on council housing and other public buildings as well as environmental works, street furniture etc. The Council also owns and manages a fruit, vegetable and retail market situated within the City Centre and also operates and

manages a bus station and several car parks located throughout the city. It also manages a number of industrial estates and commercial properties.

2016/17				2017/18		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
187	(254)	(67)	Markets	171	(251)	(79)
1,636	(3,812)	(2,176)	Car Parks	1,581	(3,852)	(2,271)
1,823	(4,066)	(2,243)	(Surplus)/Deficit applicable to a service	1,752	(4,103)	(2,350)
6,700	(6,815)	(115)	HRS	7,218	(6,969)	249
98	(104)	(6)	City Bus Station	110	(112)	(2)
118*	(407)	(288)	Industrial Estates	96	(402)	(307)
67*	(530)	(463)	Lincoln Properties	85	(676)	(591)
6,983	(7,856)	(872)	(Surplus)/Deficit not applicable to a service	7,509	(8,159)	(651)
8,806	(11,922)	(3,115)	Total (Surplus)/Deficit	9,261	(12,262)	(3,001)

*Restated to be Comparable
with 2017/18 Figures

Note 33 – Agency Services

In accordance with the Code, the collection and distribution of National Non-Domestic Rates (NNDR) and Council Tax is deemed to be an agency arrangement. The costs of collection of NNDR and the surplus or deficit on the Collection Fund for the year, are shown in the Collection Fund Statement.

Note 34 – Members' Allowances

The Local Authorities (Members' Allowances) (Amendment) Regulations 1995 requires local authorities to publish the amounts paid to members under the members' allowance scheme.

The payments made to the City of Lincoln Council members during 2017/18 totalled £227,047 (£220,099 in 2016/17).

Payments are defined as:

- i. Basic Allowance
- ii. Special Responsibility Allowance.

Note 35 – Officers' Remuneration

The Accounts and Audit Regulations 2012 require the Council to disclose remuneration paid to senior employees.

For the purposes of the regulation senior employees are persons whose salary is in excess of £150,000 per year or whose salary is £50,000 or more and are deemed to have responsibility for the management of the Council to the extent that they have

the power to direct or control the major activities. The remuneration paid to the Council's senior employees is as follows:

Officers' Emoluments – Senior Employees

2017/18						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	118,487	0	296	0	18,620	137,403
Strategic Director of Housing & Regeneration	91,221	0	235	0	14,595	106,051
Strategic Director of Communities & Environment ²	80,957	0	348	0	12,893	94,198
Strategic Director of Communities & Environment ³	79,758	0	0	0	12,761	92,519
Total	370,423	0	878	0	58,870	430,171

1) The salary costs for the Chief Executive include £5.8k relating to election expenses in 2017/18.

2016/17						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	125,176	0	248	0	18,903	144,327
Strategic Director of Housing & Regeneration ²	90,401	0	869	0	15,278	106,548
Strategic Director of Communities & Environment ²	37,266	0	0	0	5,917	43,183
Strategic Director of Communities & Environment ³	47,379	0	141	0	7,865	55,385
Strategic Director for Major Developments ⁴	32,240	0	0	0	5,449	37,689
Total	332,462	0	1,258	0	53,412	387,132

1) The salary costs for the Chief Executive include £17.4k relating to election expenses in 2016/17.

The numbers of other Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as follows:

Remuneration Band £	Number of Employees	
	2017/18	2016/17
50,000 - 54,999	5	2
55,000 - 59,999	2	2
60,000 - 64,999	3	3
65,000 - 69,999	1	0
70,000 - 74,999	1	1
75,000 - 79,999	0	1
80,000 - 84,999	0	0
85,000 - 89,999	0	0
90,000 - 94,999	0	0
95,000 - 99,999	0	0
100,000 - 104,999	0	0
105,000 - 109,999	0	0
110,000 - 114,999	0	0
115,000 - 119,999	0	2

The figure above for 2017/18 includes no employees for whom an exit package was agreed, compared to 2 in 2016/17.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
£0 - £20,000	2	2	0	1	2	3	10,830	11,392
£20,001 - £40,000	1	0	0	0	1	0	27,394	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	2	1	0	0	2	1	143,238	71,366
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings							181,462	82,758
Add: Amounts provided for in CIES not included in bandings							0	0

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
Total cost included in CIES							181,462	82,758

None of the exit packages shown in the table above related to senior employees.

Note 36 – External Audit Costs

In 2017/18 the following fees relating to External Audit and Inspection were incurred and paid to KPMG LLP, the Council's external auditors:

2016/17 £'000		2017/18 £'000
	<u>Fees payable for statutory audit services</u>	
47	Fees Payable with regard to external audit services carried out by the appointed auditor	47
9	Fees payable for the certification of grant claims and returns	11
56		58
	<u>Fees payable for other audit services</u>	
3	Fees payable with regard to other audit work	3
59	Total fee payable to external auditors	61

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2017/18 is an estimate, as the work will be carried out in the period August to December 2018.

Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

Credited to Taxation and Non Specific Grant Income		
2016/17		2017/18
£'000		£'000
(1,698)	Revenue Support Grant	(981)
(2,285)	New Homes Bonus	(1,655)
(328)	Disabled Facilities Grants	(670)
0	Section 106 agreement	(263)
0	North Kesteven District Council	(68)
(263)	Heritage Lottery Fund	(226)
(550)	Decent Homes Contract – Profit Share	(63)
(11,577)	Lincolnshire County Council	(1,423)
(8)	Transparency Code Setup Grant	(8)
(86)	Leaseholder Contributions	(110)
(697)	Department of Work and Pensions – City Hall works	0
(0)	Waterloo Housing	(117)
(46)	Other Capital Grants and Contributions	(61)
<hr/> (17,538) <hr/>		<hr/> (5,646) <hr/>
2016/17	Credited to Services	2017/18
£'000		£'000
(16,592)	Rent Allowances	(15,720)
(16,334)	Rent Rebates	(15,597)
(174)	Discretionary Housing Payments	(223)
(477)	Housing Benefit Administration	(437)
(153)	New Burdens Grant Determination	(147)
0	DCLG – Rogue Landlords	(221)
0	English Heritage	(10)
(158)	Local Council Tax Support Admin Subsidy	(152)
(134)	Home Office	(106)
(29)	Arts Council	(7)
(224)	HCA	0
0	Homeless Specific	(173)
(18)	Other Grants	(39)
<hr/> (34,293) Total <hr/>		<hr/> (32,832) <hr/>

There were no grants received in advance in 2017/18.

Note 38 – Related Parties

It is a requirement for the Council to disclose any transactions with a related party, including non-financial transactions. A 'related party' is defined as being an organisation with which the Council has dealings and where Officers or Members of the Council have a controlling interest or influence in the activities of that organisation. The code requires local authorities to disclose material transactions with 'related parties'. The disclosure is required in order that the true and fairness of the accounts can be understood by the reader of the accounts having knowledge of any 'related parties' of the Council.

Members/Officers - For 2017/18 the Council sent a letter, dated 1 April 2018, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, no Members or Officers declared pecuniary interests in accordance with section 117 of the Local Government Act 1972.

In addition, the table below details both Member and Officer representation on the boards of levying bodies, assisted organisations with which the Council makes material financial assistance and Joint Ventures.

Name of Organisation	Member Representative	Officer Representative
Upper Witham – Drainage Board	Clr Speakman Clr Hewson Clr Vaughan Clr Gowen	Chief Executive
Witham First – Drainage Board	Clr Hewson Clr Vaughan	Chief Executive
Witham Third – Drainage Board	Clr Hewson Clr Vaughan	Chief Executive
Lincoln Arts Trust	Clr Murray	Director of Communities & Environment
Lincoln Dial-a-Ride/ Shopmobility	Clr Clayton-Hewson	Chief Executive
Lincoln Citizens Advice Bureau	Clr Brothwell	Chief Executive
Investors in Lincoln	Clr Metcalfe Clr Murray	Director of Communities & Environment
Lincoln Business Improvement Group	Clr Metcalfe Clr Nannestad	N/A
Central Lincolnshire Joint Strategic Planning Partnership	Clr Metcalfe Clr Burke Clr Hanrahan	Director of Communities & Environment
The Shared Revenues & Benefits Joint Committee	Clr Metcalfe Clr Nannestad	Chief Executive

None of the above Members or Officers took part in the decision making of any financial assistance awarded to any of the organisations.

UK Central Government - has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of transactions with government departments are set out in note 37.

Other Bodies - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2017/18 were as follows:

2016/17 £'000		2017/18 £'000
417	Upper Witham Drainage Board	424
129	Witham 1 st Drainage Board	129
249	Witham 3 rd Drainage Board	250
<u>795</u>	Total	<u>803</u>

Assisted Organisations - the Council made material financial assistance to the following organisations during the year:-

2016/17 £'000		2017/18 £'000
246	Lincoln Arts Trust	231
52	Lincoln Dial-a-Ride	52
54	Citizens Advice Bureau	55
32	Lincoln Shopmobility	32

Collaborative Agreements – The Council holds 6.3% (£14,000) of the ordinary share capital of £224,000 of Investors in Lincoln Ltd (ILL).

The principal activity of the company is the promotion of economic regeneration and the development and expansion of industry, commerce and enterprise of all forms for the benefit of the community in and around the City of Lincoln. Investors in Lincoln Ltd grants the Council the sole and exclusive right to licence and manage its managed workspace development at Greetwell Place.

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2017, showing net assets of £3.767m and a profit of £168,204 before taxation, £124,599 profit after tax (£133,845 before tax and £108,277 profit after tax in 2015/16).

The Council is fully responsible for meeting the first £100,000 of any cumulative deficit on operating the managed workspace units. In the event that the cumulative deficiency exceeds £100,000 the Council shall meet 75% of the deficiency. In 2017/18 a surplus on the managed workspace units of £5,343 was attributable to the Council.

Details of amounts received from ILL during 2017/18 are shown below:

2016/17 £'000		2017/18 £'000
124	Property Management costs	133
90	Facility Fee	90
7	Management Fee	5

An amount of £22,153 was owed to IIL at 31st March 2018 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

The accounts of the company may be obtained from The Company Secretary, 5 Beck Hall, Welton, LN2 3LJ.

Collaborative Agreements - The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as Jointly Controlled Operations, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Note 39 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically that has yet to be financed. The CFR is analysed in the second part of this note.

Total Capital expenditure and financing during the year:

2016/17 £'000		2017/18 £'000
	Capital investment	
24,873	Property, Plant and Equipment	35,038
65	Intangible Assets	155
3,011	Revenue Expenditure Funded from Capital under Statute	4,612
27,949		39,805
	Sources of finance	
(2,708)	Capital Receipts	(4,674)

(13,681)	Government grants and other contributions	(3,016)
(458)	Revenue Contributions	(486)
(8,023)	Major Repairs Reserve	(9,190)
3,079	Capital Financing Requirement	22,439
Capital Financing Requirement - Funded by:		
3,079	Unsupported Borrowing	22,439
3,079		22,439
Analysis of movements in the Capital Financing Requirement in Year:		
86,967	Opening CFR	88,676
3,079	Unsupported borrowing	22,439
(326)	Adjustments in respect of leases disposed under finance lease	0
(1,044)	Minimum Revenue Provision/Voluntary Revenue Provision	(485)
	Application of capital receipts to reduce CFR	(150)
	Return of LAMS deposit	(1,000)
88,676	Closing CFR	109,480

The Council has a five-year Housing Investment programme, of which £5.835m is contractually committed. This relates to a partnership arrangement to ensure all our properties continue to meet Decent Homes Standard and move towards achieving The Lincoln Standard.

In addition to this the Council also has a five-year General Investment Programme, of which £12.286m is contractually committed. £11.540m of this relates to a land and property acquisition in 2018/19 with the remainder to allow completion of the schemes for the Transformation of Birchwood Leisure Centre (£0.134m), Allotment Capital Improvement Programme (£0.166m) and Lincoln Transport HUB (£0.446m).

Note 40 – Leases

Council as Lessee

Finance Leases

The Council holds fleet vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

31/03/17		31/03/18
£'000		£'000
0	Other Land and Buildings	0
766	Vehicles, Plant and Equipment	575
766		575

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property

acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31/03/17		31/03/18
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
198	Current	217
559	Non-current	342
126	Finance costs payable in future years	66
883	Minimum lease payments	625

	<u>Minimum Lease Payments</u>		<u>Finance Lease Liabilities</u>	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Not later than one year	258	258	198	217
Later than one year and not later than five years	625	366	559	342
Later than five years	0	0	0	0
	883	625	757	559

Operating leases

The Council has acquired the use of a number of assets, such as vehicles and buildings, under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are shown below:

31/03/17		31/03/18
£'000		£'000
74	Not later than one year	8
224	Later than one year and not later than five years	0
0	Later than five years	0
298		8

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2016/17		2017/18
£'000		£'000
0	Vehicles Plant & Equipment	0
109	Land and Buildings	74
109	Minimum lease payments	74

Council as Lessor

Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 2017/18.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for income generation purposes (investment properties)

The future minimum lease payments receivable under non-cancellable leases in future years are:

2016/17		2017/18
£'000		£'000
918	Not later than one year	893
968	Later than one year and not later than five years	791
2,698	Later than five years	2,581
4,584		4,265

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2017/18, £0.593m contingent rents were received by the Council (2016/17 £0.489m).

Note 41 – Impairment Losses

There were no impairment losses during 2017/18.

Note 42 – Capitalisation of Borrowing Costs

As permitted by the code, the Council has adopted a policy of accounting for borrowing costs in the Comprehensive Income and Expenditure Statement as they arise. No borrowing costs are capitalised.

Note 43 – Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £0.082m (£0.181m in 2016/17) – see note 35 for the number of exit packages and total cost per band. These costs exclude any ill health retirements

or departures as they are not termination benefits in accordance with the requirements of the code.

Note 44 – Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to go against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2016/17 £'000		2017/18 £'000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Net Cost of Services:	
3,493	Current Service Cost	5,493
5	Past Service Costs (including curtailments)	0
	Financing and Investment Income and Expenditure:	
2,285	Net Interest Expense	2,245
5,783	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,738

2016/17 £'000		2017/18 £'000
	Re-measurement of the net defined benefit liability comprising:	
(14,756)	Return on plan assets (excluding the amount included in the net interest expense)	392
(3,200)	Actuarial gains and losses arising on changes in demographic assumptions	0
34,920	Actuarial gains and losses arising on changes in financial assumptions	(3,956)
991	Other	(118)
17,955	Total re-measurements recognised in Other Comprehensive Income and Expenditure	(3,682)
23,738	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,056

2016/17 £'000		2017/18 £'000
	<u>Movement in Reserves Statement</u>	
5,783	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	7,738
(3,649)	Actual amount charged against the General Fund Balance for pensions in the year:	(3,719)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

2016/17 £'000		2017/18 £'000
(215,167)	Present value of the defined obligations	(216,659)
129,646	Fair value of plan assets	130,801
(85,521)	Net liability arising from defined benefit obligation	(85,858)

Reconciliation of Movements in the fair value of the scheme assets:

2016/17		2017/18
£'000		£'000
112,797	Opening fair value of scheme assets	129,646
3,914	Interest Income	3,345
14,756	The return on plan assets, excluding the amount included in the net interest expense	(392)
3,649	Contributions from employer	3,719
889	Contributions from employees into the scheme	876
(6,359)	Benefits Paid	(6,393)
129,646	Closing Fair value of scheme assets	130,801

Reconciliation of Present Value of the scheme liabilities:

2016/17		2017/18
£'000		£'000
178,229	Opening balance at 1 April	215,167
3,493	Current Service Cost	5,493
6,199	Interest Cost	5,590
889	Contributions from scheme participants	876
	Re-measurement (gains) and losses:	
(3,200)	Actuarial gains/losses arising from changes in demographic assumptions	0
34,920	Actuarial gains/losses arising from changes in financial assumptions	(3,956)
991	Other	(118)
5	Past Service Cost	0
(6,359)	Benefits Paid	(6,393)
215,167	Closing Balance at 31 March	216,659

Local Government Pension Scheme assets comprised:

2016/17 £'000		2017/18 £'000
918	Cash and Cash Equivalents	1,600
	Equity Securities:	
	By industry type	
14,576	Consumer	9,609
1,905	Manufacturing	7,437
3,361	Energy and utilities	3,627
8,954	Financial Institutions	8,995
4,991	Information Technology	10,175
0	Health and Care	5,565
10,643	Other	0
44,430	Sub-total equity	45,407
	Debt Securities	
	By Sector	
12,051	Corporate	0
4,185	Government	0
0	Other	0
16,236	Sub-total bonds	0
	Property:	
	By type	
11,797	UK Property	11,085
394	Overseas Property	976
12,191	Sub-Total property	12,061
	Private Equity:	
2,994	All	2,118
2,994	Sub-Total private equity	2,118
	Investment Funds and Unit Trusts	
35,619	Equities	36,292
1,949	Infrastructure	1,906
0	Bonds	15,462
15,309	Other	15,956
52,877	Sub-Total Investment Funds and Unit Trusts	69,616
129,646	Total assets	130,801

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2016/17		2017/18
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
22.1	Men	22.1
24.4	Women	24.4
	<u>Longevity (in years) at 65 for future pensioners:</u>	
24.1	Men	24.1
26.6	Women	26.6
2.8%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate % Increase to Employer Liability	Value £'000
0.5% Decrease in Real Discount Rate	10%	20,590
0.5% Increase in the salary increase rate	1%	3,041
0.5% Increase in the pension increase rate	8%	17,277

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Employer contributions payable to the scheme in 2018/19 are estimated to be £3.7m. The weighted average duration of the defined benefit obligation for scheme members is 17.2 years, 2017/18 (17.2 years 2016/17).

Note 45 – Contingent Liabilities

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There are two contingent liabilities as at 31 March 2018.

The Council has made a provision for NNDR appeals based upon its best estimate of the actual liability of known appeals as at 31 March 2018. It is not possible to quantify appeals that have yet to be lodged with the Valuation Office Agency, but there is a risk that national and local appeals could have a significant impact on the financial statements.

As at 31st March 2018 there is an outstanding dilapidations dispute with a landlord following termination of the Council's head lease. It is not possible to accurately estimate the value of any settlement in the accounts.

Note 46 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2018.

Note 47 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by the adoption of a Treasury Management Policy Statement and treasury management clauses within its standing orders;
- ✓ by approving, annually in advance, prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum limits on the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 1st March 2017. It is available on the Council's website (www.lincoln.gov.uk). The key issues during 2017/18 were:

- The Authorised Limit for 2017/18 was forecast to be £112m. This is the maximum limit of external borrowings or other long term liabilities during the year.
- The original Operational Boundary was expected to be £109.5m. This is the expected level of debt and other long term liabilities during the year. The maximum amounts of fixed and variable interest rate exposure were set at £87.6m and £37.2m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

These policies are implemented by the Treasury team in Financial Services. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy are contained within the Treasury Management Strategy and can be found on the Council's website (www.lincoln.gov.uk).

The Investment Strategy is based on the creditworthiness service provided by Link Asset Services (treasury management advisors to the Council). This uses a wide range of market information to produce a list of investment counterparties with recommended maximum investment durations. Capita use credit ratings, support ratings and credit default swap prices to arrive at the recommended counterparty list.

The criteria used as a minimum within the Capita methodology are as follows:

- Short Term credit ratings of F1, Long Term A, Support 3 and viability rating BBB (Fitch or equivalent rating), using the lowest common denominator principle.
- Inclusion of part Government owned UK banks, based on support assumptions.

The full Investment Strategy for 2017/18 was approved by full Council on 1st March 2017.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the Fitch credit rating agency and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions:

	Carrying Values at 31/03/18	Historical experience of default**	Adjustment for market conditions at 31/03/18	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	c	(a * c)
<u>Deposits with banks and financial institutions</u>				
AAA* rated counterparties (investments up to 1 year)	6,600	0.000%	0.000%	0
AA* rated counterparties (investments up to 1 year)	1,000	0.005%	0.005%	0
A* rated counterparties (investments up to 1 year)	8,000	0.027%	0.027%	2
Other Investments	474	0.014%	0.014%	0
Debtors	7,304	7.5%	7.5%	524
	23,378			526

*See Glossary for a definition of AAA, AA and A ratings

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, historical default rates have been used as a good indicator under these current conditions.

Analysis of Investments by country of origin

	Principal invested	Short term		Long term	
		Fixed rate	Variable rate	Fixed rate	Variable rate
		£'000	£'000	£'000	£'000
<u>UK Banks & Building Societies</u>					
Lloyds TSB Bank plc	4,000	4,000	0	0	0
Santander	4,000	4,000	0	0	0
<u>UK Money Market Funds</u>					
SLI Ignis MMF	1,600	0	1,600	0	0
BNP Paribas MMF	5,000	0	5,000	0	0
<u>UK Local Authorities</u>					
Kingston Upon Hull Council	1,000	1,000	0	0	0
Total Investments	15,600	9,000	6,600	0	0

The Council allows credit for its trade debtors, such that £1,555,456 of the £2,329,200 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/17		31/03/18	
£'000		£'000	
243	Less than three months	491	
245	Three to six months	397	
187	Six months to one year	101	
641	More than one year	567	
1,317	Total	1,556	

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of

Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows: -

31/03/17		31/03/18
£'000		£'000
9,969	Less than one year	13,671
217	Between one and two years	2,000
5,342	Between two and five years	5,000
68,995	More than five years	70,354
84,523	Total	91,025

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing liability will fall;
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in Other Comprehensive Income and Expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement, in which case gains and losses will be posted to the Surplus/Deficit on Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate

movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

2016/17		2017/18
£'000		£'000
(250)	Increase in interest receivable on variable rate investments	(142)
<u>(250)</u>	Impact on Income and Expenditure Account	<u>(142)</u>
(94)	Share of overall impact credited to the HRA	(60)
<u>(156)</u>	Share of overall impact credited to the General Fund	<u>(82)</u>
<u>(250)</u>	Total	<u>(142)</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used for Fair Value of Assets and Liabilities carried at Amortised Cost.

Price risk - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.473m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The majority of the shareholdings are in the Dunham Bridge Company (£0.459m) and Investors in Lincoln (£0.014m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2018

2016/17	Notes	2017/18	2017/18
£'000		£'000	£'000
Expenditure			
(8,072)	5	(8,465)	
(5,946)		(6,123)	
(109)		(134)	
(2,705)		(454)	
(9)		0	
42,385		0	
(292)		(286)	
25,252	Total Expenditure		(15,462)
Income			
28,084	8	27,503	
539		619	
508		518	
29,131	Total Income		28,640
54,383	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		
115	Transfer from HRS		(249)
54,498	Net Cost for HRA Services		12,929
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
1,617			746
(2,352)			(2,352)
76			39
(922)	9		(879)
636			621
53,553	Surplus or (deficit) for the year on HRA services		11,104

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17		2017/18
£'000		£'000
1,005	Balance on the HRA at the end of the previous year	1,087
53,553	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	11,104
(53,345)	Adjustments between accounting basis and funding basis under statute	(10,952)
208	Net increase or (decrease) before transfers to or from reserves	152
(127)	Transfers (to) or from reserves	(217)
81	Increase or (decrease) in year on the HRA	(65)
1,087	Balance on the HRA at the end of the current year	1,021

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Fixed Assets

The number of dwellings in the Council's housing stock, as at 31 March 2018, totalled 7,685 properties. The type of properties and the period in which they were built, were as follows:

Property Type	<1945 No.	1945-64 No.	1965-74 No.	>1974 No.	TOTAL No.
Low Rise Flats (Blocks up to 2 Storeys)					
1 Bed	43	654	376	359	1,432
2 Bed	5	97	35	42	179
3 Bed	0	0	12	2	14
Sub-Total	48	751	423	403	1,625
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	295	452	382	1,129
2 Bed	0	246	160	188	594
3 Bed	0	15	3	2	20
Sub-Total	0	556	615	572	1,743
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	56	138	0	194
2 Bed	0	29	72	0	101
Sub-Total	0	85	210	0	295
Houses / Bungalows					
1 Bed	158	144	32	9	343
2 Bed	737	777	99	262	1,875
3 Bed	823	554	72	228	1,677
4 or more Beds	99	21	0	7	127
Sub-Total	1,817	1,496	203	506	4,022
Total Dwellings 31 March 2018	1,865	2,888	1,451	1,481	7,685

Note 2 – Housing Revenue Account Assets Valuation

The Council's in-house Valuation Officers, and the District Valuer, have valued the HRA dwellings, land, and other property in accordance with Royal Institute of Chartered Surveyor guidelines.

The Balance Sheet value of council dwellings is calculated by applying a Social Housing discount factor. This represents the market value for the Council's total housing stock adjusted to reflect the fact that the property is socially rented (this adjustment is currently 42%). The discount factor is then applied to the open market or vacant possession value as determined by the District Valuer, as shown below:

	£ 000
Vacant possession value of council dwellings at 31 March 2018	543,340
Balance sheet valuation applying the Social Housing discount factor	228,203

The Balance Sheet value of HRA Assets is as follows:

2016/17		2017/18
£'000		£'000
222,737	Council Dwellings	228,203
12,798	Other Operational Assets	4,376
2,567	Non-Operational Assets	12,603
238,102	Total at 31 March	245,182

Note 3 – Depreciation and Impairment

The Depreciation and Impairment of HRA Assets is as follows:

Depreciation:			
2016/17		2017/18	
£'000	Operational Assets:	£'000	
10,818	Council Dwellings	10,361	
252	Other Operational Assets	352	
11,070	Total at 31 March	10,713	
Impairment:			
2016/17		2017/18	
£'000	Operational Assets:	£'000	
(50,762)	Revaluation Gains/(Losses)	141	
(50,762)	Total at 31 March	141	

Note 4 – Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve to which the Council transfers an amount annually to finance capital expenditure on council dwellings. This amount includes annual depreciation, which is charged to the Housing Revenue Account and then transferred to the Major Repairs Reserve. This may be supplemented by additional revenue contributions from the HRA to support the HRA capital programme. The balance on the Major Repairs Reserve shows the amounts that have yet to be applied to financing.

2016/17		2017/18
£'000		£'000
(6,609)	Balance on 1 April	(10,680)
	Amount transferred from the HRA	
	- Depreciation	
(10,997)	Dwellings	(10,361)
0	Other Assets	(352)
(1,097)	- Other revenue contributions	(638)
(18,703)		(23,031)
8,023	- HRA Capital Expenditure	9,190
(10,680)		(12,841)

Note 5 – Housing Repairs Account

The Housing Repairs Account was set up on 1 April 2001 in order to assist with the longer term planning of repairs and maintenance expenditure. The following analysis details the movement on the Housing Repairs Account during the year.

2016/17 £'000		2017/18 £'000
(500)	Balance on 1 April	(610)
	Expenditure in year	
3,306	Tenant Notified Repairs	3,239
2,477	Void Repairs	1,738
1,486	Servicing Contracts	1,650
479	Painting Programme	623
13	Asbestos Removal/Surveys	54
245	Aids & adaptations	442
23	Decoration Grants	16
43	Other Expenditure	649
8,072		8,411
	Income in year	
(8,072)	Contribution from HRA	(8,411)
	Contribution to HRA	
(91)	Stores Contract Refund	0
(11)	Contribution from Leaseholders	(3)
(8)	Interest Received in year	(10)
(8,182)		(8,424)
(610)	Surplus Balance on 31 March	(624)

Note 6 – Capital Expenditure in the year

The Housing Revenue Account capital expenditure and sources of funding during the financial year are detailed in the following table:

2016/17 £'000		2017/18 £'000
	Capital investment	
10,673	Property, Plant and Equipment – HRA	9,731
8	Property, Plant and equipment – GF used as council housing	0
0	Non-Current Assets held for sale	769
23	Intangible Assets	151
11	Revenue Expenditure funded from Capital under Statute	55
10,715		10,706
	Sources of funding	
(2,369)	Capital Receipts	(456)
0	Revenue Contributions	(126)
(8,024)	Major Repairs Reserve	(9,189)
(322)	Government grants and other contributions	(935)
(10,715)		(10,706)
0	Balance unfunded at 31 March	0

* REFCUS is created when expenditure has been incurred on items that are not capitalised as fixed assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.055m for 2017/18 (£0.011m in 2016/17).

Prior to the implementation of HRA Self-financing on 1 April 2012, supported borrowing levels had been issued annually by Central Government, authorising the Council to borrow monies, which were funded by Central Government to cover capital expenditure. Additionally, the Council was able to take out unsupported or prudential borrowing, which must be financed from its own resources. Post self-financing implementation and the end of the housing subsidy system, all borrowing will be prudential borrowing. In 2017/18, there was no prudential borrowing undertaken to fund the HRA capital investment.

Note 7 - Capital Receipts

The cash receipts from the disposal of land, houses and other property within the HRA in the year are summarised as follows:

2016/17 £'000		2017/18 £'000
	Council dwellings	
(2,658)	- Right to Buy	(3,227)
(36)	- Discounts repaid	(30)
	Other Receipts	
0	- Land Sales reimbursements	(714)
0	- Reimbursement of expenditure on General Fund property on sale	(33)
<u>(2,694)</u>		<u>(4,004)</u>
534	Less Pooled (Paid to Central Government)	529
<u>(2,160)</u>	Total	<u>(3,475)</u>

Note 8 - Rent Arrears

During the year 2017/18 total rent arrears increased by £0.018m or 1.13%, to £1.618m. A summary of rent arrears and prepayments is shown in the following table:

2016/17 £'000		2017/18 £'000
738	Current Tenant Arrears @ 31 March	725
862	Former Tenant Arrears @ 31 March	893
<u>1,600</u>	Total Rent Arrears	<u>1,618</u>
(582)	Prepayments @ 31 March	(156)
<u>1,018</u>	Net Rent Arrears	<u>1,462</u>

A bad debt provision of £285,683 has been made in this year's accounts in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of the bad debt provision held in the Balance Sheet at 31 March 2018 is £1.614m (£1.563m at 31 March 2017).

Note 9 - Pension Costs

In line with the full adoption of IAS 19 'Employee Benefits' the Net Cost of Services includes the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required when determining the movement on the HRA Balance for the year is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the HRA in the Movement on the Housing Revenue Account Statement. The following transactions have been made in the HRA during the year:

2016/17		2017/18
£'000		£'000
	HRA Income & Expenditure Statement	
1,303	Current Service Cost	1,959
0	Past Service Costs	0
922	Net interest expense	879
<u>2,225</u>	Total	<u>2,838</u>
<u>(1,473)</u>	Amount to be met from HRA	<u>(1,457)</u>
<u><u>752</u></u>	Movement on Pension Reserve	<u><u>1,381</u></u>

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

2016/17 £'000 Total		2017/18 £'000 Council Tax	2017/18 £'000 NDR	2017/18 £'000 Total	Note
INCOME					
(37,291)	Council Tax Payers	(39,125)	0	(39,125)	2
(94)	Income from Ministry of Defence	(100)	0	(100)	
<u>(43,136)</u>	Income from Business Ratepayers	0	(41,813)	(41,813)	3
(80,521)		(39,225)	(41,813)	(81,038)	
EXPENDITURE					
Precepts:					
5,916	- City of Lincoln Council	6,145	0	6,145	
26,239	- Lincolnshire County Council	27,798	0	27,798	
4,684	- Police & Crime Comm. Lincolnshire	4,868	0	4,868	
Business Rates:					
21,704	- Payments to Government	0	20,832	20,832	3
17,285	- Payments to City of Lincoln Council	0	16,295	16,295	3
4,321	- Payments to Lincs County Council	0	4,074	4,074	3
148	- Cost of Collection	0	145	145	
Bad and Doubtful Debts					
201	- Provisions	(20)	21	1	5
364	- Write Offs	236	148	384	
1,384	- Provision for appeals	0	(643)	(643)	5
<u>(2,587)</u>	Transfer of Collection Fund Surplus	236	(3,074)	(2,838)	4
79,659		39,263	37,798	77,061	
(862)	Deficit / (Surplus) for the year	38	(4,015)	(3,977)	
COLLECTION FUND BALANCE					
3,810	Balance brought forward at 1 st April	(325)	3,273	2,948	
<u>(862)</u>	Deficit/(Surplus) for the year (as above)	38	(4,015)	(3,977)	
2,948	Balance carried forward at 31st March	(287)	(742)	(1,029)	
Allocated to:					
1,257	- City of Lincoln Council	(45)	(297)	(342)	
95	- Lincolnshire County Council	(206)	(74)	(281)	
(41)	- Police & Crime Comm. Lincolnshire	(36)	0	(36)	
1,637	- Government	0	(370)	(370)	
2,948		(287)	(742)	(1,029)	

NOTES TO THE COLLECTION FUND

Note 1 - General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For the City of Lincoln, the Council Tax precepting bodies are Lincolnshire County Council (LCC) and the Police and Crime Commissioner for Lincolnshire (PCCL).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the City. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The City of Lincoln share is 40% with the remainder paid to precepting bodies. For the City of Lincoln the NNDR precepting bodies are Central Government (50% share) and LCC (10% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

Note 2 - Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2017/18 was 23,690 (23,244 in 2016/17). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2017/18 was approved at the Executive on 9th January 2017 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	0	71	39
A	6/9	27,282	22,115	14,743
B	7/9	8,750	7,489	5,825
C	8/9	4,854	4,310	3,831
D	9/9	2,507	2,268	2,268
E	11/9	1,230	942	1,152
F	13/9	391	363	524
G	15/9	130	119	199
H	18/9	45	8	15
Total		45,189	36,685	28,596
Deduction for Non Collection				(357)
Crown Properties Adjustment				59
Adjusted to Band D Equivalent				28,298
Council Tax Relief Scheme				(4,609)
Tax Base for the Calculation of Council Tax				23,689

Dwellings for residents entitled to 'disabled relief reduction' are reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those who reside in Band 'A' properties.

Income received from Council Tax payers in 2017/18 was £39.125m (£37.291m in 2016/17).

Note 3 - Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. Historically the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to local authorities their

share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of the City of Lincoln the local share is 40%. The remainder is distributed to preceptors and in the case of the City of Lincoln these are 50% Central Government and 10% to Lincolnshire County Council (LCC).

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £20.832m to Central Government, £4.074m to LCC and £16.295m to the City of Lincoln Council. These sums have been paid in 2017/18 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government or to Top-up authorities within an NNDR Pooling arrangement are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. City of Lincoln Council was part of the Lincolnshire NNDR Pool in 2017/18 alongside Lincolnshire County Council and five other Lincolnshire District Councils. In 2017/18 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of £12.228m (£12.936m in 2016/17).

The total income from business rate payers collected in 2017/18 was £41.813m (£43.136m in 2016/17).

In addition to the top up/tariff, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income (either through support from Central Government if they are not in a NNDR Pool or as first call on gains from pooling if authorities are members of an NNDR Pool). For the City of Lincoln the value of the safety net figure (net of tariff) is £3.295m (£3.229m in 2016/17). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2017/18.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31st March 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision released to the collection fund for 2017/18 has been calculated at £0.643m (£1.384m was added in 2016/17).

For 2017/18, the total non-domestic rateable value at the year-end is £112.7m (£105.3m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying

Small Businesses, and the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

Note 4 - Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2016 it was estimated that the Collection Fund would have a Council Tax surplus of £0.879m (£1.024m in January 2015) and a Business Rates deficit of £4.267m (£1.830m in January 2015), a combined Collection Fund deficit of £3.388m (£0.806m deficit in January 2015) and so the following amounts were due to or from the preceptors in 2016/17.

2016/17 £'000		2017/18 £'000
1,246	City of Lincoln Council	1,191
(283)	Lincolnshire County Council	139
(109)	Police & Crime Comm. Lincolnshire	(30)
1,733	Central Government	1,537
2,587	Total	2,837

Note 5 - Council Tax/NNDR Bad Debt Provision and NNDR provision for valuation appeals – Accounting Policy

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current year's collection rates.

2016/17 £'000		2017/18 £'000
584	Balance at 1 st April	690
(109)	Write-offs during year for previous years	(236)
215	Contributions to provisions during year	217
106	Net Increase / (Decrease) in Provision	(20)
690	Balance at 31st March	670

The Council's proportion of these write offs and increase in provision are shown below:

2016/17 £'000		2017/18 £'000
93	Balance at 1 st April	109
16	Net Increase / (Decrease) in Provision	(5)
109	Balance at 31st March	104

The Collection Fund account also provides for bad debts on NNDR arrears.

2016/17 £'000		2017/18 £'000
	370 Balance at 1 st April	465
(255)	Write-offs during year for previous years	(148)
<u>350</u>	Contributions to provisions during year	<u>169</u>
95	Net Increase in Provision	21
<u>465</u>	Balance at 31st March	<u>486</u>

The Council's proportion of these write offs and increase in provision are shown below:

2016/17 £'000		2017/18 £'000
	148 Balance at 1 st April	186
(102)	Write-offs during year for previous years	(59)
<u>140</u>	Contributions to provisions during year	<u>68</u>
38	Net Increase in Provision	9
<u>186</u>	Balance at 31st March	<u>195</u>

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2018.

2016/17 £'000		2017/18 £'000
	6,900 Balance at 1 st April	8,285
3,642	Additional Provisions made in year	2,471
(547)	Amounts used in year	(1,053)
<u>(1,710)</u>	Unused Amounts reversed in year	<u>(2,061)</u>
1,385	Net Increase/(Decrease) in Provision	(643)
<u>8,285</u>	Balance at 31st March	<u>7,642</u>

The Council's proportion of this provision is shown below:

2016/17 £'000		2017/18 £'000
	2,760 Balance at 1 st April	3,314
1,457	Additional Provisions made in year	968
(219)	Amounts used in year	(421)
<u>(684)</u>	Unused Amounts reversed in year	<u>(804)</u>
554	Net Increase/(Decrease) in Provision	(257)
<u>3,314</u>	Balance at 31st March	<u>3,057</u>

**INDEPENDENT AUDITORS' REPORT TO MEMBERS OF CITY OF LINCOLN
COUNCIL**

To be inserted following audit

1 The council's responsibility for sound governance

1.1 Scope of responsibility

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised.

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control).

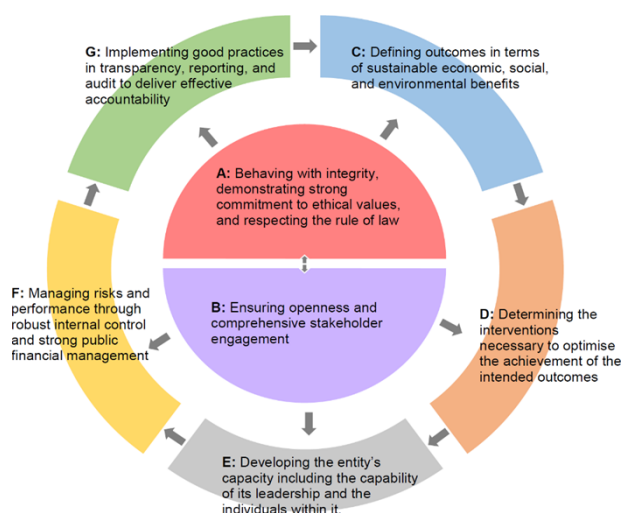
During 2016/17, City of Lincoln Council fundamentally reviewed its governance framework to reflect the new CIPFA/SOLACE Framework. The council updated its own Code of Corporate Governance and following a review of compliance in autumn 2017, updated this further in January 2018.

How we are meeting these defined responsibilities is detailed in the Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. www.lincoln.gov.uk

This Annual Governance Statement details how the city council has complied with its own Code of Corporate Governance over the last year and meets the statutory requirements for all relevant bodies to prepare such a statement.

1.2 The new Code of Corporate Governance sets out the documentation, systems and processes by which the authority transparently controls its activities and defines its cultures and values. It enables us to monitor achievement of our strategic objectives and to consider whether these have led to the delivery of appropriate value for money services.

The code is based on a set of seven core principles:



1.3 Responsibility rests within a range of areas – the key ones are detailed in the table below:

KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK

Council, Executive, Leader

- ❖ Provide leadership; set, develop and implement policy
- ❖ Ensure the Vision 2020 strategy is taken forward
- ❖ Develop, adopt and implement the budget framework
- ❖ Support the city's diverse communities and neighbourhoods to thrive

Leadership and decision making

- ❖ All decision meetings held in public (except those identified as 'part B')
- ❖ Decisions recorded on the council's public website
- ❖ Resources directed according to priorities as set out in Vision 2020

Risk management

- ❖ Risk registers identify both operational and strategic risks
- ❖ Strategic risks are considered by CMT and Executive every quarter
- ❖ Internal audit provides independent objective assurance

Scrutiny and review

- ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account
- ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans
- ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct

Corporate Management Team (CMT)

- ❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT)
- ❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community
- ❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government (2015)
- ❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct

Outcomes, Vision, Value for Money

The council's governance arrangements underpin our strategic policies and plans to ensure that the council delivers effective, efficient services for its residents and other stakeholders. Vision 2020 (our new strategic plan) provides a clear vision for what is to happen in the period 2017-2020. It is complemented with the council's Annual Report which provides details on achievements each year towards the vision.

The council has a strong Medium Term Financial Strategy (MTFS) which delivers the best use

of current assets, whilst also ensuring that the council maximises the use of available government grants

1.4 In the following sections, the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months.

1.5 **CORE PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Ethical values, standards and formal codes of conduct are defined in the council's constitution and form the basis for developing our policies, procedures and actions as well as for the behaviour of our members and staff. We have appropriate processes in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the staff rights.

All council decisions consider legal and equality implications with support from Legal Services.

Our Audit Committee (which includes an independent member) provides assurance on the adequacy of the internal control environment, by ensuring high standards of conduct are embedded within the council's culture, monitoring governance issues raised and overseeing internal and external audit arrangements.

Activity within Principle A in 2017/18:

- An internal audit was undertaken in autumn 2017 to look at compliance with the council's code of corporate governance (CCG). As a result, some minor changes to the code were identified, including the inclusion of the Whistle Blowing Policy. The CCG was then updated and approved by Audit Committee in February 2018
- The council has new core values – to be approachable, trusted to deliver & innovative
- Counter Fraud Strategy/action plan and other counter fraud policies have been reviewed. The council is involved with the National Fraud Initiative and has a close working relationship with Department for Work & Pensions for Housing Benefit fraud.
- Completion of the information asset database within the 'IMPS' monitoring system
- Complete the review of the Financial Procedure Rules

Proposed activity for the coming year:

- Further counter fraud policies / strategies will be reviewed and updated and CF training will be rolled out through the year
- We will be undertaking counter fraud projects with the Lincolnshire CF team
- Continued progress on outstanding information management actions to meet GDPR
- Roll out of NetConsent – policy management and compliance system
- Member induction for those new Members elected in May 2018

1.6 **CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

The council makes sure our partners, in the private, public and voluntary sector as well individual citizens and service users are engaged in and have full access to information relating to decisions made. We expect reports to decision makers to be open, provide all the necessary material to ensure informed decisions in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration.

Activity within Principle B in 2017/18:

- Businesses were engaged in a highly successful Growth Conference – March 2018

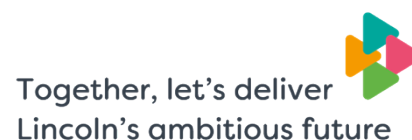
- Consultation was conducted in January 2018 on the proposed MTFs for 2018-23
- Consultation was conducted in December 2017 on the Council Tax Support Scheme
- The council has increased its use of social media to enhance its communications reach
- Completion and roll out of guidance for staff on best practice principles for consultation
- Workshops were held as part of the planning stages of the revitalisation of Sincil Bank, with the final results shared in a workshop in June 2017
- WGC – Lengthy consultation took place during 2017, with multiple focus groups over an extended period. As a result significant changes are to be made within the transport aspect, with further consultation taking place in 2018 on the revised proposals

Proposed activity for the coming year:

- The City of Lincoln is a partner in a group of voluntary sector organisations reviewing the Community Cohesion Strategy for Lincoln
- Housing will be undertaking the biennial STAR survey in late 2018
- Development of a Social Policy Conference in 2018/19 to seek partner views on a specific area of focus to be determined under the ‘Let’s reduce inequality’ priority
- Development and roll of out a new Communications Strategy

1.7 CORE PRINCIPLE C: Defining outcome in terms of sustainable economic, social, and environmental benefits

Vision 2020 is a three year strategy and delivery plan, developed using an evidence base from the Lincoln City Profile and following wide consultation, with an inclusive vision to deliver Lincoln’s ambitious future. It highlights four priorities for the city, acknowledging that the council cannot deliver everything needed by itself and must work in partnership and collaboration to achieve these ambitious plans. These are:



- | | |
|---------------------------------|--------------------------------------|
| ▶ Let's drive economic growth | ▶ Let's reduce inequality |
| ▶ Let's deliver quality housing | ▶ Let's enhance our remarkable place |

These are underpinned by the need to deliver ‘Professional high performing services’

Progress towards achieving the vision, aligned with the key priorities, will be reported to and monitored by senior management and elected members. Service areas within directorates, and under the guidance of assistant directors, are responsible for delivering individual projects to agreed timescales and budgets, with consideration for economic, social and environmental benefits which collectively will achieve our priorities.

Activity within Principle C in 2017/18:

- Approval of the MTFs which is a financial representation of the council’s Vision 2020
- Completion of the Transport Hub which is now the ‘Gateway to Lincoln’
- Implementation has started of the approved place strategy for Park Ward, highlighted as an area for regeneration. Three key strands of work are in planning stage.
- Completion of the Boultham Park project utilising Heritage Lottery funding
- A cross directorate group has been created with a focus on ‘embedding sustainability into everyday working processes’
- Development of new Portfolio Holder responsibilities to align with Vision 2020

Proposed activity for the coming year:

- Plan to be developed for embedding sustainability over the next 3 to 5 years
- Further develop plans for the Western Growth Corridor in partnership
- Progress plans for regeneration of the Sincil Bank area of the city

- Refresh the Low Carbon Lincoln Strategy and action plan
- Roll out and embed the application of the new Portfolio Holder responsibilities

1.8 **CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Service plans are in place for all directorates with key projects listed separately. All projects are subject to the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

The council's financial management arrangements ensure that there is adequate resource available to deliver plans. The council reviews progress against delivering those outcomes through its performance management framework.

Activity within Principle D in 2017/18:

- Review of the CMT decision making process around strategic plan projects (SPIT) has been completed and implementation commences from May 2018
- The LPMM has been fully updated to include all changes in project governance recommended through the SPIT review. More ownership and accountability for project management has been passed to Project Sponsors and Project Managers
- The Vision Boards are now established and have all delivered their first annual reports to members
- The revised TFS Board and the new High Performing Services Board commenced in May 2017 and has delivered its first annual report
- Services Managers Forum has been active since November 2016 and has taken over the role covering risk, insurance incidents, GDPR and AGS monitoring

Proposed activity for the coming year:

- A year 2/3 programme for the next steps of implementing the vision has been proposed and is currently under discussion
- The work of the Business Development team is to be re-aligned with the needs identified within the year 2/3 Vision projects
- A new training programme for the LPMM will be rolled out to ensure that all project managers and sponsors are fully aware of how to implement their new responsibilities

1.9 **CORE PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. A newly developed People Strategy will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city, and is effectively engaged to champion the council's priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2020 objectives.

Activity within Principle E in 2017/18:

- Roll out of People Strategy demonstrating plans to develop capability and capacity. Two defined positions have been created around performance and staff wellbeing.
- Targeted work around the wellbeing and health aspects for staff
- More HR policies have been reviewed with training delivered to managers
- New appraisal format includes mandatory appraisals during the period April- June, collation of personal development plans and a review of Job responsibilities
- Coaching programme completed for senior management and service managers

- Staff satisfaction survey completed in late 2017. Action plans are now underway in each Directorate

Proposed activity for the coming year:

- A further review of Directorate structures following the retirement of the Housing Director in April 2018
- People Strategy to continue to roll out new activities for example a Staff engagement Strategy and HR focussed line manager briefings
- Needs analysis to be completed on Leadership Development

1.10 CORE PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

The financial audit identified material errors in the DRAFT financial statements, which were corrected in the published version, for which an unqualified opinion was given. The errors were reported in the September 2017 ISA260 report to the Authority. It was acknowledged that this was due to unprecedented staffing difficulties faced by the finance team during the closedown process and in the first half of the 2017. Management agreed to the report recommendations and ensured that the arrangements and working papers for the 2017/18 accounts would be robust and effective.

Activity within Principle F in 2017/18:

- Continued use of the risk process 'Risk Appetite' methodology and toolkit.
- The Annual Audit Letter issued an unqualified conclusion on the authority's Final Statement of accounts and Value for Money statement
- Continuation of the review of compliance to data protection and an audit on data management. All services have been reviewed and have agreed an action plan
- Reductions in the central government funding have been mitigated by a successful savings and income generation programme – a key aspect of which is the new Property Acquisition arm of the Asset Optimisation plan.
- The review of business continuity plans has been completed which is the last part of the revised disaster recovery plan

Proposed activity for the coming year:

- The introduction of NETconsent to minimise the risk of non-compliance to policy
- Development of a three-year plan for new income generating opportunities
- Partnership guidance to be updated and re-issued - AD's to develop a list of ALL partnerships/joint working in their areas as a minimum
- Increase the level of purchase order usage across the authority to ensure full control
- The council will move from KPMG (external auditors) to Mazzars during 2018/19

1.11 CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of the Performance Management Framework

Activity within Principle G in 2017/18:

- Improvements made to the website, including more self-serve options – through 2017
- Communications team has increased coverage of new developments, changes etc. through social media as well as the more traditional channels
- New targets on all year 1 Vision 2020 projects have been developed
- A scope for the development of a new performance management system was approved for progression by CMT in December 2017

Proposed activity for the coming year:

- Targets to be developed for all year 2 Vision projects
- Develop and implement a new Performance Management system aimed at improving the culture of performance across the organisation
- The Lincoln Performance Management Framework will be reviewed in 2018
- Review of options in Aggresso for reporting alongside the proposed new Performance Management System
- Develop a new web option to replace our existing website

2 Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2017/18 - summary details are outlined above.

We reviewed key governance areas and assurances to identify any significant governance issues, these are detailed below in section 5

3 Level of assurance provided

We can provide a high level of assurance that the governance arrangements operating at City of Lincoln Council, in line with our Code of Corporate Governance are appropriate, fit for purpose and working well in practice.

4 Status of significant governance issues monitored from 2016-17

The council has regularly monitored its 2016 -17 significant governance issues through senior management and the Audit Committee during 2017/18:

Issues that have been significantly progressed and now can be removed:

- Health & Safety – Framework for risk assessment: The central register is now live and all training needs undertaken. An internal audit on the H&S development plan gave a substantial assurance. This risk was confirmed green at Audit committee 4th April 2017
- Health & Safety – Responsible officers (RO): The RO manual and procedures have been updated and responsible officer duties are being undertaken. All RO's were identified and most have had this responsibility inserted into their job description.
- IT disaster recovery: Arrangements to cover major events are well underway with a secondary ICT location established and tested and fully functional at Hamilton House. A draft ICT Disaster Recovery Plan has been written and is now being tested against Corporate Business Continuity plans. The final plan needs to be agreed by the Business Continuity Group to complete this exercise.

5 Significant governance issues identified from 2017-18

One current significant issue will remain a focus for 2018/19

- **Information Management:** During 2017/18 significant progress has been made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR) by the implementation date in May 2018. However there remain a number of areas still in progression and due to the seriousness of non-compliance, until these are completed, this area will remain a significant issue

New significant issues identified

There are no new areas designated as significant issues

Other areas to retain a focus on – but are not considered significant issues as yet

- The council has minimal experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.
- Project management monitoring arrangements have been reviewed, with the Strategic Plan Implementation Team having been replaced by the new Capital Programme Group and additional responsibilities for the Programme Boards. This will remain on the list of areas to watch through 2018/19 to ensure governance quality is maintained.
- Western Growth Corridor to ensure that effective governance is maintained as the project develops further
- Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions
- Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19

6 Conclusion

The council's governance arrangements are under continual review and refinement. The council will monitor improvement plans for its significant governance issues quarterly and report progress in the next annual review.

Signed

Leader (Cllr Ric Metcalfe) **Date:** 25 May 2018

Signed

Chief Executive (Mrs Angela Andrews) **Date:** 25 May 2018

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount in the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.

SUBJECT:	ANNUAL INTERNAL AUDIT REPORT 2017/18
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To receive and comment upon the Annual Internal Audit Report

2. Executive Summary

2.1 The purpose of the annual internal audit report (Annex A) is to provide a summary of Internal Audit work undertaken during 2017/2018 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

Overall our opinion in the four areas was substantial (green) which indicates performing well: no concerns that significantly affect the governance framework and successful delivery of the Council priorities.

3. Annual Audit Report

3.1 The Annual Internal Audit Report of City of Lincoln Council aims to present a summary of the audit work undertaken over the past year. In particular:

- Includes an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
- Informs how the plan was discharged and of overall outcomes of the work undertaken;
- Draws attention to any issues particularly relevant to the Annual Governance Statement.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no financial implications.

4.2 Legal Implications including Procurement Rules

To ensure compliance with the Accounts and Audit regulations 2015 and Internal Audit standards an annual report should be produced.

5. Recommendation

5.1 That Audit Committee note the contents of the report and appendices.

Is this a key decision?

No

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

List of Background Papers:

None

Lead Officer:

John Scott, Audit Manager
Telephone (01522) 873321



Annex A

City of Lincoln Council

Internal Audit Annual Report – 2017/18



This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely on the work undertaken as part of the agreed internal audit plan.

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Appendix 1- Internal Audit Assurances Given 2017/18

Appendix 2 - Quality Assurance Framework

Appendix 3 – Glossary of terms

Appendix 4 - Continuous Improvement Plan

Distribution List

Chief Executive & Town Clerk; Directors, Chief Finance Officer, City Solicitor, Leader of the Council, Chair, Audit Committee.

Management Summary

Purpose of Annual Report

The Annual Internal Audit Report of City of Lincoln Council aims to present a summary of the audit work undertaken over the past year. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council relies on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken;
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

Opinion on the Governance Framework and Internal Control Environment

For the twelve months ended 31 March 2018, based on the work we have undertaken and information from other sources of governance, my opinion on the adequacy and effectiveness of City of Lincoln Council's arrangements for governance, risk management and control is shown in Figure 1 below;

There were two limited assurance audit reports (see Appendix 1)


Governance	Green
Risk	Green
Internal Control	Green
Financial Control	Green
Direction of travel – static	

Figure 1

Key

- Red** **Inadequate Performance** – Critical action required by management throughout the Council.
- Amber** **Performing Adequately** – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
- Green** **Performing Well** – No concerns that significantly affect the governance framework and successful delivery of the Council priorities

Direction of Travel

- No change -stable 
- Improving 
- Reducing 

How we came to our opinion

Governance – *“If management is about running the business
– Governance is about seeing that it is run properly”*

Local Government has been and will continue to undergo significant change. The way it operates and delivers services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. The importance to aim for the standards of the best and ensuring governance arrangements should not only be sound but also seen to be sound has never been greater.

Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the Council achieves the desired outcomes for the people of the City of Lincoln Council.

The Audit Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

New CIPFA guidance on Delivering Good Governance in Local Government was produced in 2016. An assessment against the requirements was rated as Substantial and no significant areas for improvement were identified.

A high-level risk and governance audit (2017) provided High assurance. All recommendations have been implemented

We had no internal audits that were low or limited assurance in areas of Corporate Governance.

The recent positive LGA peer review (which partly covered governance) was extremely positive.

The External Audit 'Report to those charged with governance (ISA260) 2016/17 reported that the Council's Annual Governance Statement complies with guidance issued by CIPFA / SOLACE.

There were some Governance areas within our Combined Assurance assessment which were Amber assurance; however these areas all have mitigation which is in progress, such as GDPR implementation, procurement arrangements, TOFS savings etc. Partnership governance is an area for focus and, linked to GDPR, a comprehensive partnership register is being developed with service managers. Partnership guidance is in place. Counter Fraud received an Amber rating mainly due to resources for CTS and Tenancy Fraud although plans are in place to cover these in 19/20 and 18/19. Fraud awareness training has commenced and continues to be rolled out during 18/19.

In terms of project/programme management officers are updating the LPMM (project management model). Main/large capital projects are reported through Vision Boards and through DMT's but CoIC will establish a new Capital Programme Group (chaired by Chief Finance Officer and including only finance staff) to monitor the overall capital programme. Project management received an amber assurance due to the transition period. There has also been some strengthening of Board governance on one major project.

Taking the above information into account we have assessed the governance framework as **green** – performing well.

Internal Control

We took account of the outcome of our internal audit work during the year. Our work identified only two areas where a 'Low' or 'Limited' assurance opinion was given.

At the end of march there were a small number of high priority audit recommendations which are in progress but remain to be fully implemented including updating Council inventories, completing a key partnership ICT SLA, DP E-learning and the choice based lettings annual reviews.

Our Combined Assurance report for 2017/18 showed that the Council continues to have high levels of assurance (89% Green and 10% Amber and 1% Red).

We took account of external audit's 2016/17 annual opinion on statement of accounts, VFM opinion and grants report

See also comments in the risk and governance sections which also apply to internal control. The incidence of fraud across the Council in 2017/18 was low, and there were no associated internal control issues. . Taking all of the above information into account we have assessed the internal control environment as **green** – performing well.

Risk Management

There is an established risk management framework in place for the Council to manage the key risks facing it at strategic and operational levels, with regular reporting to management and members.

A high-level risk management audit (2017) provided substantial assurance. Risk management was given a GREEN assurance as part of the Combined Assurance work

“Risk” overall is well managed both formally and informally; Strategic and Directorate risks are being well managed with regular reviews.

The Council receives professional support from Assurance Lincolnshire and comprehensive guidance has been developed and further training across officers and members is planned early in 2018/19.

One Directorate needs to improve the frequency of review of the DRR and this will be brought up to date.

Our internal audits have not identified any significant risks and recommendations have been implemented.

Further work on risk management will take place in early 2018/19

There is an annual Risk Management report to Audit Committee – the 2017/18 report did not identify any issues.

On this basis we have assessed risk management as **green** – performing well.

Financial Control

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

- During the year we reviewed:
 - Toilet Income – Substantial
 - Elections (x2) – some adjustments
 - Housing Benefits KC – High
 - NNDR KC – High
 - Creditors KC – Substantial
 - Debtors KC – High
 - Car Park income – Substantial
 - Procurement – Substantial
 - Council Tax – will be at least Substantial (in progress)
 - Asset acquisition - Substantial

The Council has good financial management processes in place that work well. Our work identified no areas where a 'Limited' or 'Low' assurance opinion was required.

We took account of external audit's 2016/17 annual opinion on statement of accounts, VFM opinion and grants report

We note the current positive position on the savings / transformation programme (TOFS), future savings required and the current 2018/19 MTFs. Savings over achieved 17/18 and there is a manageable shortfall 18/19. Reserves remain at a prudent level.

Combined Assurance work identified some Amber assurance areas however these areas all have relevant mitigation which is in progress.

Taking the above information into account we have assessed financial control as **green** – performing well.

Roles and Responsibilities

The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance and insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Where Internal Audit work has identified improvements, we have worked with management to agree appropriate corrective actions and a timescale for improvement. It is the responsibility of management to implement the agreed actions.

The Council is responsible for developing and publishing an Annual Governance Statement – reporting how they have monitored the effectiveness of their governance arrangements during the year – providing information on any significant governance issues.

The Annual Internal Audit Report should inform the Annual Governance Statement - we recommend that the 'low or limited' assurance areas identified in Appendix 1 are considered in the development of the Council's Annual Governance Statement. Statement – together with the information contained in the Council's Combined Assurance Status Report reported earlier this year linked to Amber or Red assurance areas. There was one Red assurance which included: Housing Solutions - Property Shop / Allocations / Homelessness.

Scope of Work

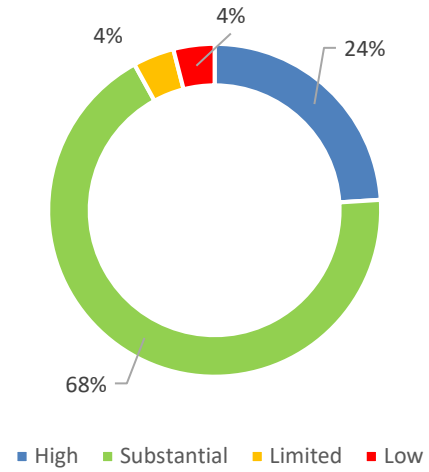
19. The charts in **Figure 3** shows the assurance opinions given in 2017/18 compared to those in 2016/17. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment.
20. We can see from the charts that the overall assurance levels have remained broadly similar during 2017/18, although there are two audits with limited / low assurance.

Comparison of Assurances

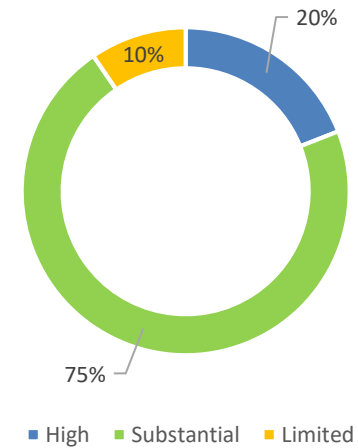
191

	2017/18		2016/17	
High	3	(20%)	6	(24%)
Substantial	15	(75%)	17	(68%)
Limited	2	(10%)	1	(4%)
Low	0	(0%)	1	(4%)

Assurance levels 2016/17



Assurance levels 2017/18

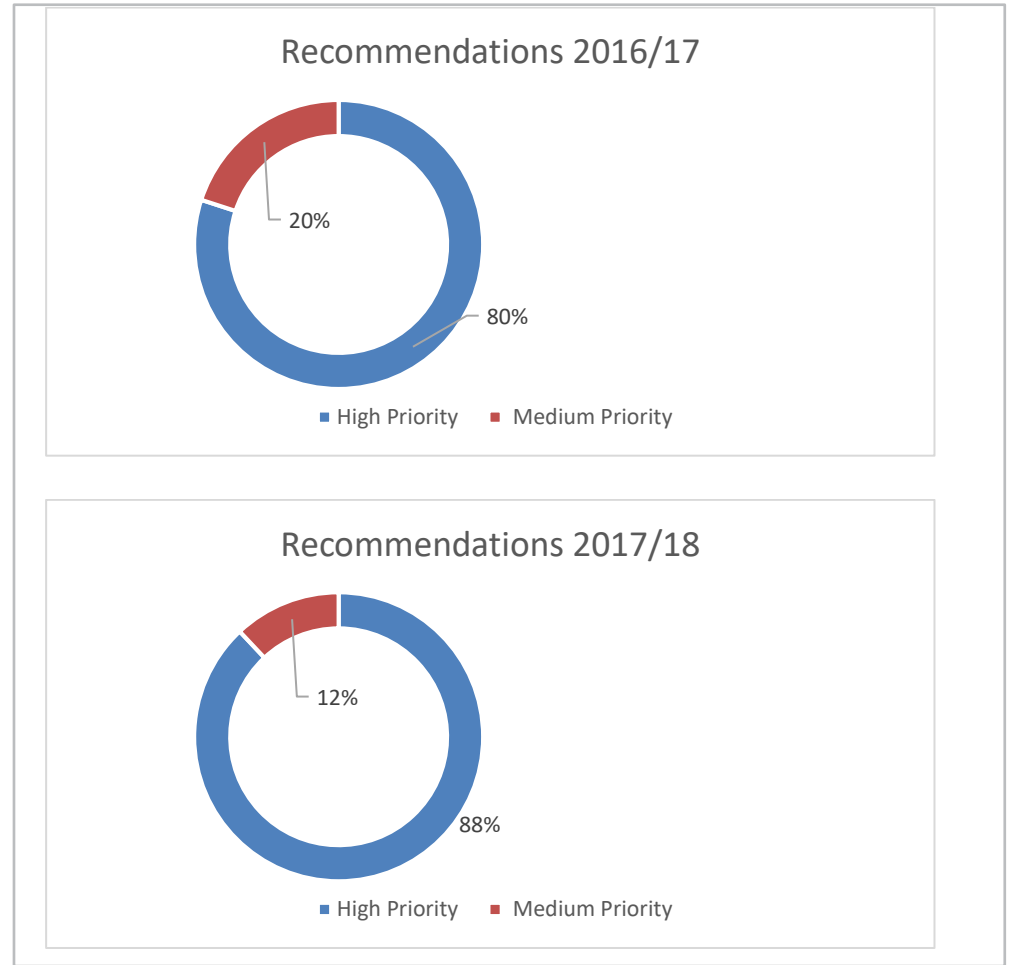


- 21. The charts in **Figure 4** show the comparison of internal audit recommendations made in 2017/18 compared to 2016/17. Details of systems reviewed can be found in Appendix 1
- 22. We track the implementation of agreed management actions. Over the past year management have implemented 65% of the recommendations due by the 31st March 2018, a decrease from 2016/17. Details of outstanding recommendations can be found in Appendix 1.

Number of recommendations made

	2017/18	2016/17
High	12	20
Medium	90	81
Total	102	101

Figure 4 – Recommendations Made



Delivery of internal audit plan 2017/18

23. The Audit Committee approved the 2017/18 audit plan. We delivered 97% of the revised plan by the end of the financial year.
24. Internal Audit's performance is measured against a range of indicators. The table below shows our performance on key indicators at the end of the year. We are pleased to report successful achievement against most of our targets and will be closely monitoring the others to improve performance.

Performance Indicator	Target	Actual @ 31/03/2018
Percentage of plan completed.	100%	97%
Percentage of key financial systems	100%	86% (1 in progress)
Percentage of recommendations agreed.	100%	94% (6 IT DR not agreed)
Percentage of recommendations due implemented.	100% or escalated	65%
Timescales:		
Draft report issued within 10 working days of completing audit	100%	100% - 19 out of 19
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	100% - 18 out of 18
Period taken to complete audit within 2 months from fieldwork commencing to the issue of the draft report.	80%	90% - 17 out of 19
Client Feedback on Audit (average)	Good to excellent	Good to excellent

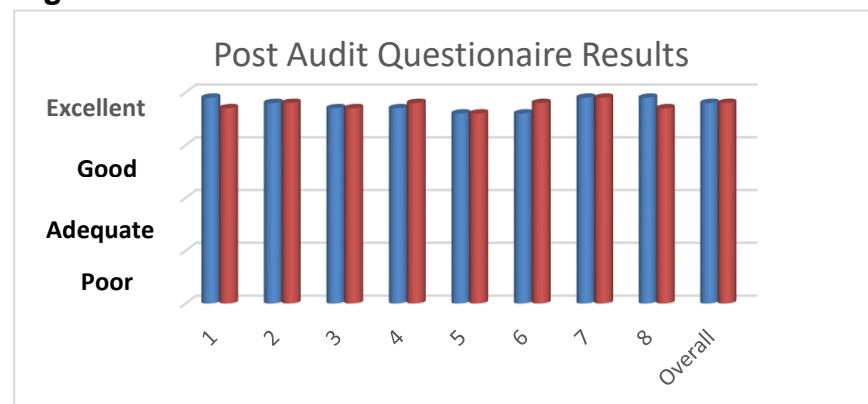
Restrictions on Scope / Disagreements

25. In carrying out our work we identified no unexpected restrictions to the scope of our work and we can confirm that Internal Audit's independence has not been impaired during the year.
26. Audit work is scheduled to fit around the work demands of the client and it is very rare that we have difficulties in gaining access to staff, which results in some delay or inability to deliver planned work within the expected timescales.

Effectiveness of Internal Audit

27. We regularly canvass opinions on audit planning, reporting and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.
28. The table in **Figure 5** outlines the responses by management on our service. For 2017/18 there was a 83% questionnaire return rate, the overall average rating for the service was good to excellent.

Figure 5 – Client Feedback



Key: Blue: 2016/17, Red: 2017/18.

Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives


Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of Report

Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

Quality Assurance

- 194
29. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.
 30. Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.
 31. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
 32. Our Quality Assurance Framework (**Appendix 2**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment and the annual review of the effectiveness of the Internal Audit Function by the Council.
 33. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.
 34. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards including the Code of Ethics and we can confirm that we are complying with the Core Principles. As part of our quality assurance framework we maintain a continuous improvement plan (QAIP)
 35. We have reviewed our internal quality assurance assessments and can confirm that our processes for planning, fieldwork and communicating results adhere to audit standards. Our review work did not identify any significant areas of non-compliance.
 36. An external quality assessment was completed in October 2016, which found general compliance with PSIAS, and was reported separately to Audit Committee.
 37. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work.
 38. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We confirm that the internal audit activity is organisationally independent and resources available are adequate.
- 

Appendix 1 Internal Audit Assurances Given 2017/18

Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	Outstanding			Notes	Direction of Travel
					High	Medium	Not Yet Due		
Emerging Legislation	July 2017	Substantial	0	-					↔
Sickness Absence	August 2017	Substantial	1H & 5M	6					Not previously audited
Public Conveniences Income	August 2017	Substantial	3M	2		1			Not previously audited
Code of Corporate Governance	October 2017	Substantial	5M	4		1			↔
IT Disaster Recovery	October 2017	Substantial	13M	6		7		Plus 6M recs not agreed	Not previously audited
Western Growth project	October 2017	N/A - Advice	-	-				Follow up 18/19	Not previously audited
Housing Repairs – Stores	November 2017	Limited	2H & 9M	10		1	1		Not previously audited
County Council Elections	November 2017	N/A – Advice	N/A	-				Expenses claim	↔
Customer Experience Strategy	November 2017	Substantial	2H & 8M	7	1	2			Not previously audited
IT Applications	November 2017	Substantial	7M	-		7			↔
HB Subsidy testing	November 2017	N/A	N/A	-				Testing on behalf of KPMG	
Housing Benefit Key Controls	December 2017	High	1M	1					↑
NNDR Key Controls	December 2017	High	0	-					↔
Parliamentary Elections	December 2017	N/A – Advice	N/A	-				Expenses claim	
Information Management – GDPR Health check	January 2018	N/A – Advice	N/A	-					
Tenancy Services	January 2018	Substantial	1H & 6M	2	1	4	1		↔
Creditors Key Controls	February 2018	Substantial	1M	1					↔

Appendix 1 Internal Audit Assurances Given 2017/18

Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	Outstanding			Notes	Direction of Travel
					High	Medium	Not Yet Due		
Debtors Key Controls	February 2018	High	0	-					↑
Asset Rationalisation	February 2018	Substantial	7M	0		7	7		Not previously audited
Car Park Income	March 2018	Substantial	7M	1		6	6		↔
Vision 2020	March 2018	Substantial	4M	0		4	4		Not previously audited
Bus Station	April 2018	N/A – Advice	N/A	-					Not previously audited
Procurement	April 2017	Substantial	1H & 6M	2	1	4	5		↔
HMO Licensing	May 2018	Limited	5H 8M	0	5	8	13		Not previously audited
Council Tax	May 2018	Substantial-Draft							↓
Planned Maintenance	May 2018	Substantial-Draft							↔
Total Outstanding				42	8	52	37		

During 2017/18 some changes were made to the Internal Audit Plan; these were due mainly to timescale / operational / delivery issues in the audits affected. I do not consider these changes to have had an adverse effect on the delivery of my overall opinion.

Audits postponed to 2018/19 were;

- Work Based Learning – Management working through changes
- Transport Hub – Final accounts due early 18/19
- Housing Company – Not progressed 17/18
- Growth Strategy – Strategies in development
- Risk Management – to review May 2018
- Housing Investment – new build projects

Audits added during the year were;

- Asset Rationalisation (replaced Partnership Management)

Appendix 1 Internal Audit Assurances Given 2017/18

Total High / Medium 2017/18 Recs Made = 102

Total not yet due = 37

Net	= 65	
Implemented in full	= 42	
% Implemented	= 65%	(H & M)



Appendix 2 - Quality Assurance Framework



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Quality Assurance
Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS

Quality Plan
Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

Ongoing monitoring – quality built into the audit process

Supervision & Review
Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.



Annual self- assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (completed 2016)

Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

Appendix 3 - Glossary of Terms

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

<p>Significance</p>
<p>The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.</p>
<p>Head of Internal Audit Annual Opinion</p>
<p>The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.</p>
<p>Governance</p>
<p>Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.</p>
<p>Risk</p>
<p>The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.</p>
<p>Control</p>
<p>Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved</p>

Appendix 4 - Continuous Improvement Plan

See attached.

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

REPORT BY: AUDIT MANAGER

LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

- 1.1 To present the Internal Audit Progress Report to the Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

2. Executive Summary

- 2.1 The report highlights progress against the audit plan.

3. Background

- 3.1 A key requirement of public sector internal audit standards is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest progress report for 2018-19 is attached as the appendix to this report.

3.2 Internal Audit Progress Report

- 3.3 The Internal Audit progress report attached (Appendix A) covers the following areas :-
- Progress against the plan
 - Summary of Audit work
 - Implementation of Audit recommendations
 - Current areas of interest relevant to the Audit Committee

4. Organisational Impacts (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

- 4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

- 4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

5. Recommendation

5.1 The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2018-19 and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if they feel it appropriate
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee
- Seek responses from Officers on matters arising (written or verbal) to be submitted to the next Audit Committee on any of the issues raised within this report or associated Appendices. Members may further wish to request the presence of the relevant Managers at the meeting to explain performance / specific issues.
- Accept the report and continue to monitor arrangements

Key Decision No

Do the Exempt Information Categories Apply? No

Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

How many appendices does the report contain? One

List of Background Papers:

Lead Officer: Audit Manager Telephone 873321



City of Lincoln Council

Appendix A

Progress Report – June 2018



Introduction	1
Key Messages	2-4
Internal Audit Work Completed March – May	5
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Other Matters of Interest	10
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Appendix 1 – Details of Limited or Low Assurance Reports	
Appendix 2 – Internal Audit Plan & Schedule 2018/19	
Appendix 3 – Assurance Definitions	
Appendix 4 – Performance Details	
Appendix 5 – Recommendations Overdue & Not Yet Due	

Contact Details:

John Scott
 Audit Manager



For all your assurance needs
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 ☎: 01522 553692 ✉ john.scott@lincoln.gov.uk

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the Audit Plan
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. The 2017/18 audit plan is virtually complete. At the 31st March 2018 all but five audits had been completed; final reports have since been issued for three and the other two are nearing completion. These are Planned Maintenance and Council Tax which are at draft report stage.
3. The 2018/19 audit plan is attached at Appendix 2, and shows progress to date.
4. Details on High priority recommendations can be found in Para 7 and for Medium priority recommendations see Appendix 5.

Internal Audit Reports Completed March - May

5. The following final reports have been issued since the last progress report;

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
None	Vision 2020 Procurement	Licensing Houses Multiple Occupation	of in None	None

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Below are summaries of the audit reports issued.

Vision 2020 – Substantial Assurance

The City Council's Vision 2020 is its strategic plan for the period 2017 to 2020 and sets out four strategic priorities, which are underpinned by a strand to provide high performing services. A three year programme of projects has been developed to deliver the aspirations that underpin these four priorities. CMT Champions have been identified for each strategic priority and quarterly reporting takes place through the Performance Scrutiny Committee for one strategic priority at a time. CMT receive update reports across all areas monthly and quarterly. A governance structure has been set up through CMT to manage the programme.

This review sought to provide assurance on the delivery and monitoring arrangement for the Vision 2020 programme, and considered the following risk:

- The Vision 2020 programme and projects (including capacity & financial resources) are not managed effectively

To review this risk we examined the following:

- Governance arrangements - decision making, reporting structures, roles and responsibilities, prioritisation of projects, risk management
- Compliance with Lincoln Project Management Model
- Monitoring performance & delivery of the overall programme
- Resource Management (capacity and financial)
- Assurance mechanisms in place for CMT and the Council

Our review provides substantial assurance that the Council has effective mechanisms in place for managing the Vision 2020 programme. We have given substantial assurance based on the management of risk and application of controls being effective.

The Council's external peer review also provided good feedback on the Vision 2020 process identifying that the programme was a good base for empowering managers to deliver.

As year one of the programme draws to a close it has been acknowledged that projects were front loaded into this year which has put some pressure on resources. CMT have recognised this and are holding workshops to smooth out delivery and review monitoring arrangements as part of developing year 2 delivery.

The Council has developed a governance structure for delivery and monitoring of the programme and experience of operation in year one will provide a good basis for moving forward into year 2. We were of the opinion that the joint meeting for High Performing Services (HPS) and Towards Financial Sustainability (TFS) presented a large volume of different information for the group to manage in one meeting. This has been recognised and plans are in place to split the two groups, linking HPS to performance and TFS to finance.

There are currently a number of changes taking place which will have an effect on the delivery of strategic projects:

- The update and role out of the Lincoln Project Management Model (LPMM) from March 2018
- The reconfiguration of the Strategic Plan Implementation Team (SPIT). The SPIT group have not met on a regular basis since July 2017, it is planned that the roles are primarily being devolved to project sponsors with the addition of a new Capital Programme Group to review the overall capital programme.

We have made recommendations to strengthen controls which include:

- Reviewing financial information reported to CMT on the programme
- Reviewing performance milestones for projects which support partners
- Improving the development and approval of project briefs as part of the LPMM
- Recording more clearly follow up of agreed actions from the Vision Group meetings

Procurement – Substantial Assurance

The Procurement Service is going through a period of change as they prepare for withdrawal from Procurement Lincolnshire, their external support resource, from 1st April 2018. Preparation has included a comprehensive review of policies and strategies, approval of updated of Contract Procedure Rules in February 2017, with a further update planned after 1st April 2018.

Management have identified in the combined assurance report that they are exploring how to obtain specialist advice if needed and to encourage service areas to seek timely procurement advice to ensure the correct processes are followed.

The Procurement Service continues to provide support & advice to Directorates in following the correct procurement practices which in turn assists Directorates in demonstrating and achieving value for money.

The aim of the review was to provide assurance on:

- Compliance with Contract Procedure Rules in Directorates for procurements between £25k and up to European thresholds (OJEU), which are for goods, supplies and services £164,176 and for works £4,104,384
- Maintenance of the contract register to provide comprehensive information on each contract and support the planning process for re-tendering

Our review provides substantial assurance that the Council has effective mechanisms in place to manage procurements valued between £25k and the thresholds for undertaking a procurement based on European legislation (OJEU).

It should be noted that there is a lower volume of procurement at the financial level of contracts reviewed due to the use of framework contracts. Suppliers on framework contracts have already been subject to a level of competitive process which reduces quotation requirements for the Council. Further audit work is planned in 2018/19 on the use of framework contracts and procurements above the OJEU levels

Some of the current development work provided by the Client Procurement Officer (CPO) covers:

- Bespoke and ad hoc training
- Implementing and developing measures for the new Social Value Policy and providing an annual assessment to Policy Scrutiny Committee
- Monitoring the update of the electronic contract register to provide better proactive planning of procurements
- Support to service areas in managing their procurements and following the correct processes
- Developing guidance to support continued operations in the absence of the CPO
- The CPO is moving forward the withdrawal from Procurement Lincolnshire based on an exit strategy and is preparing the processes required post 1st April 2018.

In addition over the next five years all of the high profile major contracts will be coming up for renewal and there is the potential for mega projects such as the Western Growth Corridor to move forward requiring procurement input. All of these requirements have the potential to put additional pressure on the procurement resource.

We have made recommendations to strengthen controls which include:

- Communicating, promoting and training on the Contract Procedure Rules issued in February 2017 and the new procurement policies including Social Value approved November 2017
- Updating and maintaining of the contract register. This is a key recommendation which will allow notification of contract renewal dates and will help to ensure sufficient resources are available to effectively re-new existing contracts
- Considering targeted issue of Contract Procedure Rules and new Procurement Policies to Assistant Directors
- Reviewing the current process of requiring an order for contracts and update procedure rules if necessary
- Clarifying for service areas what supporting information must be supplied or is optional from suppliers when returning their request for quotation submissions
- Reminding service areas that contracts over £75k must be lodged with Legal Services

Licensing of Houses in Multiple Occupation – Limited Assurance

The Housing Act 2004 (Part 2) places a duty on the Council to license large Houses in Multiple Occupation (HMOs). Large HMOs are defined as properties which are at least 3 storeys high, rented to 5 or more people who form more than 1 household and who share toilet, bathroom or kitchen facilities. Lincoln currently has approximately 300 of these properties.

New legislation has been approved (effective from 1 October 2018) that removes the 3 storey requirement, which could bring a further 800 properties under the licensing regime.

Delivering Quality Housing and improving housing conditions is one of the strands of the Council's Vision 2020 Action Plan and the HMO licensing process, coupled with the Council's own Trusted Landlord scheme, helps to deliver this.

We are only able to award Limited Assurance based on our findings. The licensing process complies with the Housing Act 2004 but some key aspects of the process do not operate consistently. The implications of not ensuring that all licensable HMO's are safe to live in are potentially very serious, as is a failure to act on category 1 hazards in the wider private rented sector.

The key weak areas (for which High priority recommendations have been made) are;

- The age of Criminal Record Disclosure Certificates provided with applications. The Council's HMO Scheme states that they should be up to two months old but in reality they are being accepted up to 12-18 months old. The Council's requirements should be complied with, or revised if they are no longer considered appropriate.
- Schedule 3 condition monitoring. If conditions are made as part of granting a licence a timeframe is set for their completion (usually three or four months). A new condition monitoring protocol has recently been set up but a consistent process was not in place for the previous eighteen months / two years. Some work needs to be done to determine what hasn't been completed within this period and then take the appropriate enforcement action.
- Gas certificate renewal. Once a licence is granted it is a mandatory condition that a new certificate is provided every twelve months. A reminder process is in place but testing of five licences found that in three cases new gas certificates had not been obtained.
- Relevance of the Enforcement Policy. The Enforcement Policy is dated 2005 and does not reflect procedural and legislative changes. There has been an outstanding audit recommendation to update it since an Empty Homes audit in 2013/14. Work has started and it is expected to be completed by the end of September
- Hazard monitoring. When a hazard is found it is categorised as 1 or 2 and work is done with the owner or agent to rectify it. Hazards and their categories are not recorded and there is no straightforward way to monitor and report on hazard rectification.

See Appendix 1 for full details.

Other Significant Work

6. Updates on other significant work;

Bus Station

An advice piece of work has been undertaken which found that the facility is operating well. No recommendations were made.

Annual Internal Audit Report

The Annual IA Report has been approved by CMT and is presented to this Committee in a separate report.

Housing Benefit Subsidy Testing

Detailed testing has started.

Boultham Park Restoration Project

Work started on this towards the end of 2017/18 and has been put on hold until the final account has been produced. A summary of the report will be presented to this Committee when the work is completed.

Governance Assessment

A governance assessment has been completed to inform the Annual Internal Audit Report. No issues were identified.

Audits in Progress

7. The following audits are in progress;

2017/18;

- Planned Maintenance – report being agreed
- Council Tax – report being agreed

2018/19:

- Strategic Risk Mitigation – in progress
- Culture & Ethics – being prepared
- Sincil Bank Regeneration – being prepared
- Transport Hub (final account) – being prepared
- Housing Benefit testing

Audit Recommendations

8. There is a formal process for tracking Internal Audit recommendations; they are recorded on the Council's performance management system, IMPS, and management can record progress updates at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

The table below shows all High priority recommendations, completed, due, overdue and not yet due.

Audit	Agreed action & original target date	Revised target date	Progress since previous Committee
2015/16			
ICT Mobile Devices (Substantial) PH CMCS AD SD (CX)	Audit of ICT assets (linked to corporate inventory check) (Mar 16)	Sept 18 <i>Prev June 18</i>	Extended 6 mths The inventory check is underway
2016/17			
Information Governance – Revenues & Benefits (Limited) PH CMCS AD SD (CX)	Finalise the COLC-NKDC-WLDC ICT service level agreement (Jun 17, Dec 17) All staff to undertake DP e-learning (Apr 17)	Sep 18 (<i>Prev Jun 18</i>) July 18 (<i>Prev May 18</i>)	Ongoing; linked to shared costs review Extended At 81% in May.
Choice Based Lettings (Low) PH Housing AD H (Hous)	Detailed annual reviews and additional bid cycle testing	Jun 18	Commenced Update to Follow
2017/18			
Stores PH Housing AD H (Hous)	Make a decision on the resourcing of an upgrade to the Servitor system (April 18)	Jun 18 <i>Prev Apr 18</i>	Under review
Customer Experience Strategy PH CMCS AD SD (CX)	Project planning and monitoring processes (February 18) Review how efficiencies (time saved) can be captured and reported (Apr 18)	Apr 18 Apr 18	Extended 1 mth Most parts have been completed. Update to Follow Completed
Tenancy Services PH Housing AD H (Hous)	Develop a pre-tenancy system to provide improved access to risk and needs information (Aug 18)	Aug 18	Not yet due

Procurement	Communicating, promoting and training on the Contract Procedure Rules issued in February 2017 and the new procurement policies including Social Value approved November 2017	June 18 <i>Prev</i> <i>April 18</i>	New procurement web/internet page set up – requires communication to staff
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Appendix 5 provides details of all outstanding Medium priority recommendations.

Performance Information

9. Our performance is measured against a range of indicators. However as we have only just started work on the 2018/19 Plan no performance information is being reported at Appendix 4.

Other Matters of Interest

10. There are none.

Appendix 1 – Details of Limited / Low Assurance Reports

Licensing of Houses in Multiple Occupation (Limited Assurance)

Background and Context

The Housing Act 2004 (Part 2) places a duty on the Council to license large Houses in Multiple Occupation (HMOs). Large HMOs are defined as properties which are at least 3 storeys high, rented to 5 or more people who form more than 1 household and who share toilet, bathroom or kitchen facilities. Lincoln currently has approximately 300 of these properties.

New legislation has been approved (effective from 1 October 2018) that removes the 3 storey requirement, which could bring a further 800 properties under the licensing regime.

Delivering Quality Housing and improving housing conditions is one of the strands of the Council's Vision 2020 Action Plan and the HMO licensing process, coupled with the Council's own Trusted Landlord scheme, helps to deliver this.

The Communities & Environment Risk Register contains an amber risk for Private Sector Housing being unable to deliver its statutory duties and planned objectives.

Scope

This review will give independent assurance that;

- The Council is licensing large HMOs in accordance with the requirements of the Housing Act 2004
- Income due is being collected
- Work to rectify any hazards identified (in any private rented property) is being monitored

We had hoped to have a brief look at the operation of the Trusted Landlord scheme but there was insufficient time to do this.

This review did not examine the determination of planning applications for HMOs under the Article 4 directive, but it did examine the sharing of intelligence between the two service areas.

Executive Summary

We are only able to award Limited Assurance based on our findings.

The licensing process complies with the Housing Act 2004 but some key aspects of the process do not operate consistently. The implications of not ensuring that all licensable HMO's are safe to live in are potentially very serious, as is a failure to act on category 1 hazards in the wider private rented sector.

The key weak areas (for which High priority recommendations have been made) are;

- The age of Criminal Record Disclosure Certificates provided with applications. The Council's HMO Scheme states that they should be up to two months old but in reality they are being accepted up to 12-18 months old. The Council's requirements should be complied with, or revised if they are no longer considered appropriate.
- Schedule 3 condition monitoring. If conditions are made as part of granting a licence a timeframe is set for their completion (usually three or four months). A new

condition monitoring protocol has recently been set up but a consistent process was not in place for the previous eighteen months / two years. Some work needs to be done to determine what hasn't been completed within this period and then take the appropriate enforcement action.

- Gas certificate renewal. Once a licence is granted it is a mandatory condition that a new certificate is provided every twelve months. A reminder process is in place but testing of five licences found that in three cases new gas certificates had not been obtained.
- Relevance of the Enforcement Policy. The Enforcement Policy is dated 2005 and does not reflect procedural and legislative changes. There has been an outstanding audit recommendation to update it since an Empty Homes audit in 2013/14. Work has started and it is expected to be completed by the end of September
- Hazard monitoring. When a hazard is found it is categorised as 1 or 2 and work is done with the owner or agent to rectify it. Hazards and their categories are not recorded and there is no straightforward way to monitor and report on hazard rectification.

The Private Housing Team Leader has been very open and advised Internal Audit of a number of weaknesses as soon as the audit started.

Staff in the Private Housing Team staff are very committed in what they do.

The HMO Licensing process contains a lot of work areas and most of them are operating satisfactorily.

The IT system operates satisfactorily but there are proposals to replace it within the next two years, and an additional system may be purchased to provide a portal for landlords to submit applications electronically. There is the potential to use the IT system differently to reduce the amount of time spent on administration and allow improvements in monitoring and management oversight.

Licence fees are collected by debtor account after the licence has been granted. Testing found that the correct fees are being charged and a review of outstanding debtor accounts found that the level of unpaid accounts is extremely low. For 2018/19 the Council has increased the licence fee by 25% but a comparison with other local authorities has shown that many are charging higher fees. Going forward licence fees are likely to be payable in advance.

The current staffing establishment is fit for purpose but the service has not been fully staffed for some time, which has caused workload pressures and performance issues. Work is being done to consider the level of additional resource required to administer the expansion of the licensing regime later in the year.

Enforcement action is relatively limited due to the low level of resources available.

Some further areas for improvement were identified;

- Introduce performance measures that indicate how effective the service is at improving property conditions (through condition monitoring, hazard rectification and gas safety certificate renewal)

- Update the HMO Licensing Scheme and Method Statement
- Improve the HMO Licensing content on the Council's website
- Share information on licensable HMO's with Development Management using the shared database that has been established
- Clarify with the Council's Data Protection Officer whether personal information provided in support of an application should be retained or disposed of once it has been used
- Ensure that Land Registry searches are undertaken and retained
- Ensure that the licence renewal process operates consistently

Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive					
Human Resources (10)	Workbased learning – financial and operational risks	Q3/Q4			
Human Resources (3)	Attendance management follow up	Q1/Q2			
<i>Human Resources</i>	<i>Effective implementation of the new people strategy</i>				<i>(Potential audit – if time allows during year)</i>
Human Resources (10)	Recruitment process	TBA			
Commercial Property and Small Business Support (10)	Commercial property income Managed workspace	TBA			
Business Strategy (Vision 2020) (10)	Project management on key projects, including Housing and other areas.	TBA			
Partnerships (10)	Partnership arrangements including governance and effectiveness.	TBA			
Commercialisation/ Asset Rationalisation (10)	Review of strategy/projects	Q3/Q4			
Director of Housing and Regeneration	Critical Activities				
Housing Allocations/Choice Based Lettings (10)	Migration of data Data accuracy	TBA			
Housing Voids <i>Plus Aids and Adaptations Rechargeable repairs</i>	Housing voids/Aids and Adaptations management arrangements	TBA			<i>(Potential audit – if time allows during year)</i>
Council house sales (5)	Processes around sales / discounts and income.	TBA			
New Build / Housing Company (10)	New build contracts and any links to the new housing company	TBA			
Health and Safety (10)	Housing fire risk - governance arrangements	TBA			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Strategic Director – Communities & Environment	Critical Activities				
Planning (10)	CIL (Community Infrastructure Levy) and S106 Local plan delivery and monitoring.	TBA			<i>Audit in conjunction with Assurance Lincolnshire</i>
CCTV	<i>Management / monitoring of CCTV</i>				<i>(Potential audit – if time allows during year)</i>
Private Sector Housing (5)	DFG/ Arrangements for the new Heating scheme	TBA			
Major Developments Directorate	Critical Activities				
Growth (10)	Economic and Growth agenda including strategies, investment, partnerships, and infrastructure.	Q3/4			
Transport Hub (8)	Closedown of works and final account	Q1			
Financial Governance Chief Executive					
Benefits (10)	Universal Credit roll out including Housing impact.	TBA			
Counter Fraud (20)	We will continue to liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI and build on work from Fraud risk assessment and continue to roll out the fraud e-learning training.	Q1-Q4			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
NNDR (5)	Business Rates Growth Policy/Reliefs	TBA			
Bank (5)	Key controls around the Council' banking arrangements.	TBA			
Procurement (10)	Review of frameworks and other OJEU level procurement plus social value policy.	TBA			
City Lottery (3)	Governance arrangements	Q2			
Governance (10)	The Council's cultural/ethical framework	Q1			<i>Scoping currently Dates to be agreed</i>
Governance (5)	Annual assurance We will consider the key elements of governance	Q4			
Risk Management (5)	Council's risk management arrangements	Q1/Q2	Q1		
Information Governance (10)	General Data Protection Regulations	Q3/Q4			
ICT Audit (30)	Applications Cyber risks ICT Strategy implementation and ICT project /programme management – Operations and Business Development.	Q1 TBA TBA TBA			
IT DR/Business Continuity (3)	We will follow up with the Business Continuity Group actions arising from the IT DR audit in 2017/18	Q3			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Western Growth (15)	To review project management arrangements	Q1			
Programmes and Projects (13)	To provide assurance on project and programmes E.G Allotments / Sincil Bank / De Wint Court etc (to be agreed) Review of project / programme governance arrangements including SPIT replacement	TBA TBA			
Consultancy/VFM Focus to be agreed (10)	An example could be comparison of fees and charges applied	TBA			
Emerging Legislation (2)	To provide assurance on management arrangements for forthcoming legislation	TBA			
Audit follow up work (10)	Assurance that actions from previous key audits have been implemented	Q1-Q4	Q1		
Combined Assurance (10)	Completing the integrated assurance mapping process for the Council We will provide additional assurance information on equality and diversity assurance pending an audit review in 19/20	Q3/4			
Contingency and Emerging risks (30)	Contingency for any brought forward work and emerging risks	Q1-Q4			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Advice and liaison, management, reactive investigations (35)	As area	Q1-Q4			
Annual Internal Audit Report – (3)	As area	Q4			
Audit Committee – (20)	Audit Committee support	Q1-Q4			Ongoing
Housing Benefit Subsidy (50)	Testing on behalf of External Audit	Q1-2	May		In progress
Review IA Strategy and Planning – (5)	New Plan for 2019/20	Q4			

Appendix 3- Assurance Definitions¹

<p>High Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 4 - Performance Details 2018/19 Planned Work

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed.	100%	25% end June 50% end Sept 75% end Dec 100% end Mar	Will be reported at the July meeting.
Percentage of key financial systems completed.	100%	100% end Mar	Will be reported at the July meeting.
Percentage of recommendations agreed.	100%	100%	Will be reported at the July meeting.
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	Will be reported at the July meeting.
<p>Timescales:</p> <p>Draft report issued within 10 working days of completing audit.</p> <p>Final report issued within 5 working days of closure meeting / receipt of management responses.</p> <p>Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.</p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>100%</p> <p>100%</p> <p>80%</p>	Will be reported at the July meeting.
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Will be reported at the July meeting.

Customer Experience Strategy	Nov 17	Substantial	10	7	1	2	<ul style="list-style-type: none"> Formally consider whether each project requires an Equality Impact Assessment Review the arrangements for Digital Champions Further improve the Self-serve arrangements Improve the use of statistical information to help Boards monitor trends and identify specific issues Determine internal and external communication requirements Formalise the reporting of feedback and complaints Introduce a risk register Produce a plan for “Forms” system development in the future (original target Feb 18 – all) 	<p>Apr 18</p> <p>Apr 18</p>	<p>Update to follow</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Extended 1 mth Part completed</p> <p>Completed</p> <p>Completed</p> <p>Completed Extended 1 mth In progress</p> <p>Also see High Priority Recs in para 7 (x2)</p>
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Malware PH CMCS	Nov 16	Substantial	8	6		2		<ul style="list-style-type: none"> Operate net consent software (Mar 17) Include IT Security within HR training system (Mar 17) 	June 18 June 18	Completed Course drafted
IT Disaster Recovery	Oct 17	Substantial	19	6			13	<ul style="list-style-type: none"> Seating in the event of the DR plan Contractor requirements (Housing) LAN connection (Hamilton House) Property Services to review utility requirements Produce (Mini) Business Continuity Plans for the remaining service areas Ensure that the approach used to assess risks is clearer Address RPO in the Business Continuity Plans for the Service Areas <u>LCC to review the IT DR plan to ensure that it ties into the corporate BCP and BCPs for each Service Area.</u> Have the Service Areas plan for 'loss of IT services' for up to two (2) weeks 	June 18	Update to follow Extended 3 mths Being monitored / implemented through the Business Continuity Group All "underway" Six implemented (Underlined)

								<ul style="list-style-type: none"> • <u>Liaise with representatives from NKDC (and WLDC) to ensure that they understand the recovery timescales to which the IT department at CoLC are working to.</u> • <u>CMT to ensure that the BCG meets regularly</u> • Ensure that the next BCP desk-top exercise includes the IT DR plan • Review the arrangements for wider staff education and awareness • The IT department and Service Areas to meet to consider the issues and requirements pertaining to the 'return to normal service' • A test plan be produced and thereafter implemented • Ensure the (IT) room is "clear" other than IT equipment • <u>Review security of racking</u> • <u>Fire extinguishers</u> 		
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
CX - Chief Finance Officer										
Accountancy PH CMCS	June 15	Effective	3	1		2		<ul style="list-style-type: none"> Review & update Financial Procedure Rules (Apr 15) Review & update the budget holder manual (Dec 15) 	May 18 Sept 18 <i>Prev May 18</i>	Completed Follows FPR update
Risk Management PH CMCS	May 17	Substantial	9	8		1		Improve guidance & deliver further training CLT / Members (Sept 17)	July 18	<p>Extended 4 mths A training plan has been agreed by the Service Managers Forum.</p> <p>Training delivered to service managers forum</p> <p>Training will be given to CLT on 13th June.</p>
Corporate Governance Code	Oct 17	Substantial	See above					Consider the need for a detailed Asset Management Plan (Mar 18)	Sept 18 <i>Prev June 18</i>	Extended AMP may be incorporated into Asset Rationalisation Strategy

Asset acquisitions	Feb 18	Substantial	7				7	<p>1 Consider options for a reserve to meet additional costs and review the level of the minimum reserve position over time</p> <p>2.Strategy update areas:</p> <ul style="list-style-type: none"> -Reference to Government guidance on MRP - acquisitions form a balanced portfolio - annual review of the strategy and reporting to Executive if there are any material changes such as interest rates. <p>3. Develop one filing structure for all information in a secure location possibly via a shared Directory and all relevant decision making records are held in accordance with our document retention policy.</p> <p>4 Decisions on the ongoing acquisition programme and the potential for future acquisitions will have to be made, based on these decisions the level of capacity / skills required will be reviewed.</p>	<p>June 18</p> <p>August 18</p> <p>June 18</p> <p>June 18</p>	Update to follow

								<p>5. Agreed to develop an evidence template to support and sign off that all required actions for each acquisition have been completed.</p> <p>6. Agreed that details of projects rejected and the reason for rejection will be recorded</p> <p>7. Agreed an overall risk register will be developed and maintained through the asset acquisition group</p>	<p>June 18</p> <p>June 18</p> <p>June 18</p>	
Revenues and Benefits – Support Services PH CMCS	Jul 16	Substantial	5	4		1		Commence discussions on the apportionment of support costs at Operational Board to open the way for a report to Joint Committee (Aug 16, Mar 18)	<p>Sept 18</p> <p><i>Jun 18</i></p>	Extended
Revenues & Benefits – Information Governance PH CMCS	Feb 17	Limited	15	14	1	0		<p>Complete the R&B Info Gov actions (Jun 17)</p> <p>Also see High priority recs at para 7.</p>	May 18	Completed
Recovery PH CMCS	Mar 17	Substantial	11	9		2		Use a second enforcement agent at COLC when the next procurement exercise is completed (Sep 18)	Sep 18	Not yet due.

								As part of the review of the Fair Collection & Debt Recovery Policy determine whether the data used to monitor the Policy (sec 10) are all relevant & appropriate (Jan 18)	Dec 18	Not yet due.
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
CX – Assistant Director Strategy										
Vision 2020	Mar 18	Substantial	3	-			3	<p>1.1 Review the projects where the Council is a supporting partner and include milestones which reflect the level of resource expected to be provided.</p> <p>1.2 Co-ordinate the RAG rating so that they are the same for the different reporting levels. The SDPM will work with relevant staff in the Quality Housing Vision Group to facilitate an update of the Housing Strategy Action Plan to reflect the vision group monitoring table RAG ratings.</p> <p>2.1 The SDPM will work with Directors to facilitate them to meet the requirements of the LPMM by:</p> <ul style="list-style-type: none"> Developing project briefs for those projects 	<p>Sept 2018</p> <p>Sept 2018</p>	Completed (1.1)

							<p>moving from year 1 to year 2 of the programme</p> <ul style="list-style-type: none"> Ensuring all new project briefs are signed for approval by the Delivery Director and Project Manager 		
							2.2 The monitoring table will be updated to reflect how the business case, scope and rational for the individual projects has been approved	Sept 2018	
							2.3 Ensure that there is a process in place for sign off of projects by the Delivery Director and Project Manager as per the terms of reference document	Sept 2018	
							2.4. Based on the experience of the first year of programme delivery, the Vision 2020 terms of reference document will be reviewed. Include on the CMT/Vision 2020 Board agenda sign off of project briefs	Sept 2018	
							3.1 Record required actions and responsibility on the following meeting minutes with information to identify whether the action has been delivered or carried forward.	Sept 2018	
							3.2. A table of summary actions identified at the	Sept 2018	

								beginning of the minutes is one way of recording		
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
CX – City Solicitor										
Procurement	Apr 18	Substantial	6					<p>1 Updating and maintaining of the contract register. This is a key recommendation which will allow notification of contract renewal dates and will help to ensure sufficient resources are available to effectively re-new existing contracts</p> <p>2. Ensure that update to RFQ's are used</p> <p>3. Reminding service areas that contracts over £75k must be lodged with Legal Services</p> <p>4. As the year progresses and workloads become clearer the requirement to strengthen procurement resources either through links with Legal Services or through external support will be continually reviewed. A watching brief on the situation will be maintained.</p>	<p>June 18</p> <p>June 18</p> <p>Mar 19</p>	<p>On track</p> <p>Completed (2)</p> <p>(Links to high priority rec)</p>

									5 Reviewing the current process of requiring an order for contracts and update procedure rules if necessary Management should confirm whether an order for contracts is required and the Rules updated accordingly	June 18	
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Progress since previous Committee
					H	M				
DHR - Assistant Director Housing										
Vehicle Fuel Management PH Housing	Feb 2013	Limited	8	7		1		Update the Driver Code of Practice (Aug 13)		Matt Hillman Update requested
Control Centre PH Housing	Oct 16	Substantial	8	7		1		Ensure up to date agreements are in place with agencies (Sep 17)	Sept 18	Extended 6 mths A new, GDPR complaint agreement is being developed
Responsive Repairs PH Housing	Jun 17	Substantial	6	2		4		<ul style="list-style-type: none"> Record planned repairs on UH (Nov 17) Take before & after photos (Nov 17) 	March 18 Dec 18	Linked to current planned maintenance audit – will be extended

										Extended 9 mths Servitor upgrade required first
Stores	Nov 17	Limited	12	8	1	2	1	<ul style="list-style-type: none"> • Agree a process for adding items to the core stock list (Mar 18) • Undertake a fraud / theft risk assessment (Dec 17) • Clear the unallocated materials suspense account on a regular basis (Dec 17) 	Mar 18 April 18 Mar 18	Completed Update requested Completed Also see High priority recs at para 7.
Tenancy Services	Jan 18	Substantial	7	2			5	<ul style="list-style-type: none"> • Review & update procedures and service standards (Sept 18) • Verify tenant identity at sign up and the 3 week visit (Feb 18) • Update the fraud strategy & fraud risk assessment, and undertake some proactive work (Sept 18) • Review fraud training requirements (Nov 18) • Consider undertaking annual inspections (Sept 18) • Record eviction authorisation on UH (Feb 18) <p>Also see High priority rec at para 7.</p>	Sept 18 Feb 18 Sept 18 Nov 18 Sept 18 Feb 18	Not yet due Completed Not yet due Not yet due Not yet due Completed

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
DCE - Assistant Director Health and Environmental Services										
Car parking								Undertake a monthly reconciliation of debit / credit card transactions at the Central car park to data from the car park machines	April 18	Completed
								Consistently apply the procedure to notify a supervisor of all cash variances over £10	April 18	Completed
								Review the income collection health and safety risk assessment to reflect the recent opening of the Central car park	April 18	Update requested
								Re-instate periodic supervisory checks of the Daily Income record	April 18	Completed
								Determine if the data retention period for the Central car park IT system can be extended, but if it can't then determine what data needs to be exported and retained	June 18	Completed
							Periodically change the passwords to access the Central car park IT system	June 18	Completed	

								Improve the monitoring process of manual barrier openings at the Central car park, and introduce a periodic review of the reasons to determine if procedures are being complied with or if further guidance is required	April 18	Alternative control in place Completed
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Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
DCE - Assistant Director Communities & Street Scene										
Boultham Park Refurbishment PH RSH PH PPER	Jun 17	High	2	1		1		Complete the revised partnership agreement (Jul 17)	Jun 18	Extended 3 mths Update requested

Audit Area	Date	Assurance	No of Recs	Impl'd	Outstanding		Not Yet Due	Agreed Action & Original Target Date	Revised Target Date	Comments / Progress
					H	M				
MDD – Major Developments Directorate										
Transport Hub PH CMCS PH PPER	April 17	Substantial	9	6		3		Review Thub health and safety file CHS (Jul 17) CE's finalized and marked off financial report (Jul 17) CE documentation (Apr 17)	July 18 Was April 18 July 18 Was April 18	Extended In progress, part of project closedown Extended In progress, part of closedown

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SUBJECT: FRAUD AND ERROR UPDATE REPORT (2017/18) 12 MONTHS

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 This report provides an update to Committee on Counter Fraud arrangements.

2. Executive Summary

2.1 This report:

- Provides an update on the Lincolnshire Counter Fraud Partnership
- Provides a position statement on the National Fraud initiative
- Outlines fraud work within Housing benefits and other areas.
- Provides an update on counter fraud outcomes

3. Lincolnshire Counter Fraud Partnership (LCFP)

3.1 The Lincolnshire Counter Fraud Partnership involving all Lincolnshire Councils was created following the successful application for Government counter fraud funding. Partnership working across all Lincolnshire Councils has been extended to 31st March 2019. For 2018/19 the group has now been extended to include representatives from the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police. All partners have made a small financial contribution to develop and deliver proactive exercises and investigate fraud. This is being project managed by Lincolnshire County Council. The partnership has been involved with a number of counter fraud projects and has a forward programme of work.

3.2 The work of the LCFP will help partners to:

- re-inforce and strengthen the anti-fraud culture
- provide a proactive response to fraud risk management
- provide greater resilience to fraud
- deliver savings from fraud and error
- make effective use of counter fraud resources
- improve fraud detection

3.3 The LCFP will contribute to managing the key risks arising from fraud:

- Financial loss
- Reputational damage
- Misuse of resources
- Impact on service delivery and / or service users.

3.4 **Key Messages 17/18**

The LCFP arrangement continues to make efficient use of the limited counter fraud resources within the Lincolnshire local authorities. Extensive and varied communication channels have been used to promote fraud awareness among a wide audience and increased whistleblowing traffic is evidence that this is working well. This is evident at City of Lincoln Council (CoLC). Project savings further support achievements made.

3.5 **Areas of Progress in 2017/18 include:**

- Development of e-learning, shared with district partners to enable training of employees. ColC is in the process of rolling out the training.
- Successful delivery of the Council Tax Support (CTS) exercise at Boston Borough Council which identified total revenue of around £500k from CTS fraud & error. The approach may be rolled out across the other districts in 2019/20 – the estimated net revenue gain is £724k (All Councils – see CTS section below).
- Delivery of housing tenancy fraud briefing to encourage districts with housing stock to participate in a housing tenancy fraud data check (see also housing tenancy section below).

In terms of background, national intelligence suggests that housing tenancy fraud is a high risk area. An initial data check was completed at two Lincolnshire Councils and identified possible fraud indicators; the results however did not suggest that this was a high risk area.

- SPD (Single Person Discount) 2018, procurement has been undertaken for this review, which is due to commence during June. The successful provider suggests net revenue gain around £1m across the County.

3.6 **Fraud Awareness**

Efforts to build understanding of fraud risks and indicators have continued in 2017/18. Better knowledge and awareness should have the long term benefit of making the Council more resilient to fraud. A counter fraud culture depends on stakeholders at all levels playing a part to prevent and detect fraud.

A key development in 2017/18 has been the development of a Fraud Awareness e-learning course. Roll out at ColC is during 2018/19. This package includes sections on understanding fraud as well as steps to prevent and detect fraud. The key issue that fraud prevention is everybody's responsibility is also covered.

- 3.7 The County Council have recently commenced a proactive exercise on procurement fraud – this remains the largest single area of fraud loss within local government. Information about the approach and findings will be shared with the Districts and will provide a starting point for our own pro-active work in this area.

3.8 **CIPFA Fraud and Corruption Tracker (2017)**

This report focuses on the local government sector. It provides a spread of results that

enabled CIPFA to estimate the total figures for fraud across English, Welsh and Scottish local authorities. The 2018 report has not yet been published.

3.9 Key findings:

- An estimated 75,000 frauds have been detected or prevented across local authorities in 2016/17 with a total value of £336.2m.
- The number of fraud cases investigated or prevented dropped in 2017.
- But the average value per fraud increased from £3,400 to £4,500.
- Procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas.
- Adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016.
- The highest number of investigations related to council tax fraud (76%) with a value of £25.5m.
- The highest value area of fraud is housing with an estimated total of £263.4m.
- 38% of organisations who responded have a dedicated counter fraud service.

In terms of the key risks around procurement, housing and Council tax (SPD); CoLC has action plans in place. See the respective sections below.

3.10 Counter Fraud Plan 2018 /19

The Partnership's plan for 2018/19 the plan is aligned to the CIPFA Counter Fraud Code of Practice on Managing the Risk of Fraud and Corruption, ensuring that it reflects key areas. The Code contains 5 key principles and these are reflected within the plan:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

3.11 Key Areas and Themes

During 2018/19 LCFP intend to:

- Continue raising awareness of fraud – delivering promotional campaigns, fraud clinics and encouraging completion of e-learning approach to fraud.
- Identify opportunities to generate revenue from pro-active work on fraud and error.
- Develop networks to facilitate sharing of fraud intelligence and best practice e.g. police and Trading Standards.
- Identify joint working / partnership opportunities to maximise fraud resources and improve fraud resilience.
- Share counter fraud best practice (aligned to the principles covered in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption).
- Inform pro-active fraud work by using County Council data
- Analytical expertise / external solutions – to identify trends and patterns within

transactions.

3.12 Key areas of counter fraud activity for the partnership will include:

- Procurement fraud
- Cyber security
- Blue badges
- Adult Care
- LCFP will work with a newly created Fraud sub-group of the Serious and Organised Crime multi-agency board, which is part of the Lincolnshire Community Safety Partnership. Key information will be shared with the Districts.

4. CoLC Activity

4.1 Housing Benefit

For 2017/18 the total number of referrals to SFIS was 155. The total administrative penalties issued was 11, totalling £19,197.57 in overpayments. Total prosecuted and found guilty was 5, totalling £19,509.53 in overpayments. CTR reductions as a result of a housing benefit investigation were £3187.61.

In comparison for 2016/17 the Council was involved with 184 benefit referrals to and from SFIS. The total administrative penalties issued was 19, which had a value of £27,368.74. The overpaid Housing Benefit value was £ £56,509.53.

The Benefit/CTS fraud, sanctions and prosecutions policy (last updated in January 16) is currently being reviewed; the revised policy is going to CoLC Policy Scrutiny in June and Executive (CoLC and NKDC) in July.

4.2 Right Benefit Initiative (RBI)

RBI replaced the Fraud and Error Reduction Incentive Scheme (FERIS) for 2017/18. Under this initiative Authorities are asked to focus purely on combating incorrect earnings and to process as many Optional Real Time Information (RTI) referrals as possible each month.

Of the 1418 cases reviewed in 17/18, housing benefit payments have been reduced and overpayments have been created on 1108 of them resulting in a total overpayment for the year 2017/18 of £478,663.37.

4.3 Council Tax Support

As set out in the LCFP update in section 3 above, Council Tax Reduction options are being discussed with LCFP officers. It has been agreed in principle that a project similar to that used at Boston Borough Council should be undertaken in 2019/20, with the other Districts, including CoLC. The estimated net revenue gain is £724k across the Districts involved.

4.4 Housing Tenancy

For 2016/17 there were no cases of sub-letting. During 2016/17 the Council served 9 notices to quit including non-occupation.

For 2017/18 there were 2 sub-letting cases and 24 notices to quit (including non-occupation) (Abandoned = 20; Non-occupation = 4)

It was agreed as part of the recent 17/18 Tenancy Internal Audit to:

- Undertake a tenancy fraud risk assessment and produce an updated fraud strategy/action plan, aligned to a refresh of the tenancy fraud policy.
- Update the tenancy fraud policy.
- Undertake some pro-active fraud work during 2018/19 (using a tenant verification service) making resources available as part of the new budget process.

These will be implemented during 2018/19.

4.5 **Business Rates**

The definition of fraud within business rates is difficult, avoidance is a serious issue and one which does impact all Districts including CoLC.

A specific Invest to Save project was undertaken from August 2016 to November 2017 focusing on BR fraud and avoidance. The project was successful in increasing the CoLC rateable values by 121,018 for the 2010 list and 153,146 for the 2017 list, equating to an additional £71,366 of Business Rate income. Following on from the success of this project, officers with the Revenues Team have continued build upon the work that was started.

- 4.6 LCFP have also submitted a joint NFI funding bid for a proposed funded business rate pilot. It looks to match business rate data together with existing NFI data such as residential care home data and premises data within and between bodies to identify potential business rate fraud. NFI asked groups of councils to make a unified bid. A bid covering all the Lincolnshire districts has been submitted. We are awaiting the outcome.

4.7 **Council Tax**

A Council Tax single person discount exercise is taking place during 2018 across Lincolnshire, this will commence during June and will be completed by the end of August in readiness for the tax base calculation in September 2018.

4.8 **Whistleblowing and Fraud Awareness**

The Council continues to use the LCC County wide hotline, which receives its own publicity. We have refreshed the Council Website counter fraud page, particularly around fraud/whistleblowing referrals. Communication to Managers and other employees has taken place around fraud risk, policies and reporting.

Fraud-e-learning is currently being rolled out during 2018/19 and commenced in 2017/18. It is also intended to roll out across members (Audit Committee members have already received the presentation/training).

- 4.9 During 2017/18, we have had 16 whistleblowing reports, in comparison to 3 in 2016/17,

these were in relation to;

6 x HB
2 x Fraud
4 x Council Tax
1 x Waste/refuse
1 x Contract
2 x Housing

4.10 **Cyber Fraud/Cyber Crime**

The Council continues to place high importance on cyber security. Security measures are applied, kept under review and audited regularly. The Authority is also subject to Central Government compliance initiatives.

An anti-malware internal audit was completed during 2016/17.

In 2017/18, an IT Disaster recovery internal audit and Application audits were completed.

LCFP Group is to develop cyber-crime projects during 2018/19.

4.11 **Other Fraud**

Credit card fraud - during 2016/17 we had one case of credit card fraud linked to refund fraud (no financial loss to the Council). Other Councils had been targeted and the matter was reported to the Police. Procedures have been reviewed again.

During 2017/18 one case of reported credit card fraud, but there was no impact the Council.

4.12 **National Fraud Initiative**

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. The purpose of the data matching is to highlight "potential" fraud and error cases which require investigation. Council data was submitted to the NFI for 2016/17 in October 2016.

The results of the work on matches are:

1953 matches and 1842 processed, this identified 1 fraud and 40 errors, recovering £26,250.51 (all HB/CTS)

New data sets will be submitted in October 2018 and data matches will be assessed from January 2019 onwards. The outcomes from data matching will be assessed with officers as many of the match types did not identify any fraud or error. This may influence the level of testing in 2019.

4.13 **Fraud Strategy and fraud policies**

Fraud Policies

A revised Money Laundering Policy was last reviewed in September 2016 and will be reviewed again in 2018/19. The Counter Fraud Strategy was also updated, taking account of new CIPFA and DCLG Government guidance and submitted to the Audit Committee September 2016. This will be reviewed in 2018/19.

The Council's Anti-Bribery Policy was reviewed in February 2017. The Whistleblowing Policy was updated and presented to the Audit Committee in December 2017. The Council's fraud risk assessment was updated and a revised risk register presented to Audit Committee in February 2018.

The Benefit / CTS fraud, sanctions and prosecutions policy is being revised and will be submitted to the Executive in June 18. During 18/19 a health check review will be undertaken with LCFP to ensure arrangements are robust and focused on pro-active work correctly.

4.14 Outcomes from the Counter Fraud Strategy

Operational outcomes to help evaluate effectiveness are included within the existing strategy. The outcomes are shown at Table A below.

- High levels of fraud awareness
- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Reduced losses (a low incidence of fraud)
- Delivery of pro-active counter fraud work (work plan)
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses
- Successfully engagement with partners

4.15 Table A

Area	Comments
Delivery of pro-active counter fraud work (work plan)	The Council's strategy is based on CIPFA and Government best practice and has been updated in line with new guidance.
Achieving counter fraud best practice	The Lincolnshire Counter Fraud Partnership uses Counter fraud specialists to support delivery of a County wide action plan. Outcomes are included within this report above. This partnership will run until at least 31/3/2019.
High levels of fraud awareness	Reminders are issued to all staff at least annually related to Council fraud policies, whistleblowing etc. On-line fraud training planned for full roll out during 2018/2019 Other parts of the organisation particularly Housing benefits and Council Tax have had effective publicity

	<p>and campaigns.</p> <p>The updated fraud risk register will help to raise awareness further and we have issued some communications around this.</p> <p>The Council's website fraud pages have been refreshed and made clearer.</p> <p>A future survey will help to gauge awareness</p>
Successful prosecutions, other sanctions and recovery of losses	<p>An updated sanctions and prosecutions policy was agreed in January 2016. This is being updated again in 2018</p> <p>Sanctions/prosecutions are outlined above</p>
Reducing the risk of fraud	<p>A fraud risk register is in place and has been updated in 2017/18.</p> <p>The counter fraud action plan and risk mitigation actions should help to reduce risk further.</p>
<p>Successfully engagement with partners</p> <p>(including National Fraud Initiative, HBMS, LCFP and others)</p>	<p>CoIC complies with NFI requirements and participates in reviewing and reporting on data/outcomes.</p> <p>The Council engages as a partner within the Lincolnshire Counter Fraud Partnership. The Police are a new partner for 17/18.</p> <p>The Council works closely with Department for Work and Pensions/Single Fraud Investigation Service.</p> <p>DWP RBI scheme</p>
<p>Zero tolerance to fraud</p> <p>(number of referrals/ensuring suspicions reported and action taken)</p>	<p>This is part of the reminders issued to all staff and there has been additional publicity around reporting fraud within City Hall public areas.</p> <p>Referrals are received from the public (service areas and customer services)</p> <p>The Council has a relatively low incidence of reported fraud / loss generally.</p> <p>Further benchmarking across Lincolnshire would be useful.</p>
Reduced losses	The Council has a relatively low incidence of reported

Low incidence of fraud	fraud / loss generally. Further benchmarking would be useful, which the LCFP may action in 18/19
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4.16 Insurance

The table below sets out the number of insurance claims and incidents during 2016/17 and 2017/18 along with the total cost of claims.

4.17

CAUSE	2016/17	
	Number	Total Cost of Ins Claim
	Insurance Claims & Incidents	(Paid & Outstanding)
Arson - Perpetrator Unknown	6	£17,953.80
Break In - No Theft	3	£2,218.60
Malicious Damage	4	£508
Theft - Forcible Entry	1	2,708.39
Theft	6	£400
Vandalism	22	£6,282.36
	Total	£30,071.15

4.18

CAUSE	2017/18	
	Number	Total Cost of Ins Claim
	Insurance Claims & Incidents	(Paid & Outstanding)
Arson - Perpetrator Unknown	1	£3,172.72
Break In - No Theft	2	£0
Malicious Damage	1	£1,116.14

Theft - Forcible Entry	0	0
Theft	1	0
Vandalism	24	£11,326.34
	Total	£15,942.20

4.19 **Fraud Risk Register**

The Corporate fraud risk register has been developed with officers, which has been effective from 2014. This was updated in February 2018.

The register shows the main fraud risk types, fraud risk assessment and further actions that are proposed to mitigate the risks.

- Fraud Strategy
- Contracting /contract management
- Procurement
- Payments
- Income Collection
- Debt management
- Money laundering
- BACS /Cheque fraud
- Payroll / employees
- Treasury management / investment fraud
- Property / land/ equipment
- Grants - Housing and Economic Support / Third Sector
- False accounting
- IT / Data
- Insurance
- Council Tax
- Housing
- Business Rates
- Council Tax Support Scheme
- Housing Benefit
- Development Management
- Theft/Asset misuse
- Refund fraud
- Election fraud

4.20 Key CoLC (Amber) fraud risk areas are:

- IT/Data
- Insurance
- HB/CTS
- Housing
- Elections

Key mitigation actions in the register:

- To agree the level/type of duplicate payment checks needed Purchase order

- project
- Money Laundering policy to be updated again in 2018
- Single Person Discount review to be undertaken during 2018
- CTS fraud project 2019/20
- HB/CTS fraud policy requires update
- Revise/update tenancy fraud policy, strategy and action plan. Undertake some pro-active fraud work during 2018/19
- Completion of inventories

4.21 Fraud Case Summary (17/18)

	Fraud cases	Comments
Ctax CTR	7	CTR reductions as a result of a HB investigation - £3,187.61.
Business rates	0	Avoidance City of Lincoln RV for 2010 has increased by 121,018 and for 2017 by 153,146. For 2017/18, based on the multiplier of 0.466 this is an additional £71,366 of Business Rates income.
Housing benefit	16	The total administrative penalties issued was 11 totalling £19,197.57 in overpayments. Total prosecuted and found guilty – 5 totalling £19,509.53 in overpayments. £26,021.22 overpayment value
Housing sub letting	2	
Housing other		24 Notice to quit /non occupation

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising from this report.

5.2 Legal Implications including Procurement Rules

There are no direct legal implications arising from this report.

6. Recommendation

6.1 That Members consider and comment on the report.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain?

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873321

SUBJECT:	AUDIT COMMITTEE WORK PROGRAMME 2018/19
REPORT BY:	AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To provide details of the draft Audit Committee work programme for 2018/19.

2. Executive Summary.

2.1 The Audit Committee approves a work programme each year and monitors progress.

3. Details

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2018/19.

4. Organisational Impacts

4.1 Finance

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights

There are no direct E and D implications arising as a result of this report.

5. Recommendation

5.1 That Audit Committee comment on and agree the work programme for 2018/19.

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Key Decision	No	
Do the Exempt Information Categories Apply?	No	
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No	
How many appendices does the report contain?		One
List of Background Papers:		None
Lead Officer:	Audit Manager Telephone 873321	

AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2018/19

Meeting dates	Audit Items	Training (Suggested)	Comments
14 th June 2018	<ul style="list-style-type: none"> • Internal Audit Progress report • Statement of Accounts (Draft) • Annual Governance Statement (Draft review) • Audit Committee Work Programme • Annual Internal Audit Report • 12 month Fraud and Error report 	<ul style="list-style-type: none"> • Audit Committee effectiveness (new members) • Local Government Financial Statements explained • Annual Governance Statement/Corporate Governance (Part of Meeting) 	
19 Jul 2018 6.00 pm	<ul style="list-style-type: none"> • Statement of Accounts / Annual Governance Statement (Final) • Annual Governance Report / Auditors Report (External Audit) • Review of the effectiveness of Internal Audit and Audit Committee • Terms of Reference review Audit Committee 		
27 Sep 2018 6.00 pm	<ul style="list-style-type: none"> • Internal Audit progress report • Audit Committee Work Programme • Information Governance – update report • Peer review - update report • Annual Governance Statement monitoring report • Annual Complaints report 		

	<ul style="list-style-type: none"> • Terms of Reference review – Internal Audit 		
<p>18 Dec 2018 6.00 pm</p>	<ul style="list-style-type: none"> • Annual Audit Letter (External Audit) • Internal Audit progress report • Six Month Fraud and Error report • Annual Governance Statement - monitoring • Audit Committee Work Programme • Appointment of External Auditor • Counter fraud policies • Information Governance Update • Appointment of External Auditor • Review of the Constitution-Financial Procedures Rules 	<ul style="list-style-type: none"> • Counter Fraud 	
<p>12 Feb 2019 6.00 pm</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Treasury management policy and strategy (consultation prior to approval by Council) • Audit Committee Work Programme • External Audit annual report on grants and returns • Code of Corporate Governance update report • Draft Internal Audit plan 19-20 	<ul style="list-style-type: none"> • Treasury Management 	
<p>26 Mar 2019 6.00 pm</p>	<ul style="list-style-type: none"> • External Audit Plan (deferred) • Internal Audit Progress report • Combined Assurance report • Annual Governance Statement –update 		

	<p>report</p> <ul style="list-style-type: none"> • Final Internal Audit Strategy and Plan 19-20 • Risk Management Strategy / annual report • Statement on Accounting Policies • Audit Committee Work Programme • External Audit Inquiries – 18/19 Statement of Accounts • IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations • Strategic Fraud risk register • Information Governance Update report 		
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A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.

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