

EXECUTIVE

Monday, 23 September 2019
6.00 pm
Committee Room 1, City Hall

Membership: Councillors Ric Metcalfe (Chair), Donald Nannestad (Vice-Chair), Chris Burke, Bob Bushell, Rosanne Kirk and Neil Murray

Officers attending: Angela Andrews, Democratic Services, Kate Ellis, Jaclyn Gibson, Daren Turner, Simon Walters and Carolyn Wheeler

A G E N D A

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1. Confirmation of Minutes - 28 August 2019	3 - 18
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.	
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You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following items because it

is likely that if members of the press or public were present, there would be disclosure to them of 'exempt information'.

In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, notice is hereby given of items which will be considered in private, for which either 28 days' notice has been given or approval has been granted by the appropriate person specified in the Regulations. For further details please visit our website at <http://www.lincoln.gov.uk> or contact Democratic Services at City Hall, Beaumont Fee, Lincoln.

This item is being considered in private as it is likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations have been received in relation to the proposal to consider this item in private.

8. SECTION B

CUSTOMER EXPERIENCE AND REVIEW

9. Infrastructure Upgrade

[Exempt Para(s) 3]

315 - 320

Present: Councillor Ric Metcalfe (*in the Chair*),
Councillor Donald Nannestad, Councillor Chris Burke,
Councillor Bob Bushell, Councillor Rosanne Kirk and
Councillor Neil Murray

Apologies for Absence: None.

28. Confirmation of Minutes - 22 July 2019

RESOLVED that the minutes of the meeting held on 22 July 2019 be confirmed.

29. Declarations of Interest

No declarations of interest were received.

30. Cornhill, Markets & City Centre Vibrancy

Purpose of Report

To provide the Executive with an update on a scheme of works which had already been approved to demolish the Cornhill Kiosk and put in place measures to protect the existing tree, create a new seating platform and restore the immediate public realm.

The report also sought further authority for a second phase of improvement works to include paving, seating, street furniture and a potential water feature, in consultation with key partners.

Decision

That the Executive:

- (1) Notes the proposed scope of works, process and timescale for the demolition of the Cornhill Kiosk, retention and protection of the tree and provision of integral seating as a first phase of improvements to Cornhill Square.
- (2) Authorises officers to develop proposals for a second phase of improvement works to include paving, seating, street furniture and a potential water feature, in consultation with key partners, and notes that the implementation of the final scheme will be subject to securing external funding.
- (3) Authorises officers to procure and commission feasibility and design works to inform a full business case for the future development of the Central Market building and City Square, in consultation with key partners.
- (4) Approves the use of the ring-fenced budget of £300,000 to support the cost of the above schemes and as leverage to secure additional, external and match-funding as described within the report.

- (5) Approves to delegate the final allocation of the £300,000 budget between the identified projects to the Major Development Strategic Director and Chief Finance Officer.

Alternative Options Considered and Rejected

Other options considered and rejected were set out in paragraphs 7.1 and 7.2 of the report.

Reason for Decision

Updates were reported on the following aspects of the Cornhill, markets and city centre:

Cornhill Phase 1

Consent had been granted for the demolition of the kiosk and proposals had been modified to allow for the retention and protection of the associated tree. Designs had been produced to allow for the protection of the three roots through a 'root bridge' system and the creation of a new seating plinth below the tree canopy. The cost of the scheme was expected to increase as a result of the additional trees. It was proposed to prioritise this scheme and fund the work from a ring-fenced £300,000 budget. The residual budget would then be used to support the implementation of the phase 2 works and Central Market.

It was anticipated that works would commence on-site in November 2019 to be completed within three months, however, it was noted that fee proposals were due to be returned by 13 September 2019 with the contract due to be let early in October.

Cornhill Phase 2

Concept designs and estimated costs were also being produced for a wider scheme of public realm improvements to Cornhill Square. This included natural stone paving, with a palette of materials to mirror the wider Cornhill Quarter, new seating and a potential water feature. The final scheme design would be subject to consultation with key partners and full cost estimates, with implementation of the scheme being subject to securing additional external funding.

It was proposed to utilise the remaining funds from the allocated budget to help leverage external funds to support the delivery of this project from an external source. If funds could be secured for delivery, the project would proceed to full design and tender in order to achieve value for money.

Officers would work closely with the County Council's Highways department to procure, deliver and manage the works, which included an area of public highway as well as City Council land.

Central Market

The summary of the redevelopment of the market building and City Square represented an opportunity to create an 'anchor destination' within the Cornhill Quarter, which could support an improved and diversified market offer alongside a wider range of uses and innovative technology to promote and sustain vitality in response to customer trends.

It was proposed that the Council now worked with key partners to develop a masterplan for the Central Market, City Square and Waterside South area. This would include feasibility work and the preparation of concept designs and cost estimates for the restoration and development of the Central Market building, as well as options for a co-ordinated outdoor market offer on City Square. It was therefore recommended that the Council allocated a portion of the ring-fenced budget of £300,000 to support the feasibility work, which was an essential part of a full business case for the market. Council funding would be used to match external funding in order to maximise the level of funding to enable developed and technical designs for planning and tender, and associated professional fees.

In addition, it was proposed to submit a funding bid for match-funding from the Local Enterprise Partnership's feasibility fund to support this work. Further funding for design may also be available through the Heritage Action Zone, which was a £1.6 million bid for funding to support a package of heritage-led initiatives. A decision on this bid would be expected by January 2020.

Market Operations

Work was on-going to strengthen and co-ordinate the existing market offer and attract new traders. The Farmers' Market was now under City Council operation and four new food retailers had been attracted to the Central Market in the past month.

The Market Rights Policy and application process was now in place, enabling the Council to better control the market offer within the city and to consolidate provision within the Central Market and City Square area.

Councillor Ric Metcalfe praised this excellent project which he said was in a really important space in the city centre which had huge potential for improvement.

Members of the Executive reiterated Councillor Metcalfe's comments and were pleased to note that the tree near the current kiosk building would now remain in place. It was suggested that more greenery should be introduced to the high street.

A request was also made that the Council continued to communicate effectively with key stakeholders and the public regarding the development plan in order that everyone was fully informed of the respective schemes and associated timescales.

31. St Andrews Close

Purpose of Report

To report the Sincil Community Land Trust's proposal to lease an area of land located off St Andrews Close in Sincil Bank and request approval to proceed with preparing a lease for the use of the site as a community social space.

Decision

That the request to lease the land adjacent to St Andrews Close to Sincil Community Land Trust be approved and officers be authorised to finalise the Heads of Terms, advertise the transfer of the site in the local newspaper and,

subject to no objection being received, prepare a lease for the Sincil Community Land Trust for the community space.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Council had been approached by the Sincil Community Land Trust who wished to lease an area of land at the western end of the southern boundary of St Andrews Close, as set out in the site plan appended to the report. This land was previously a play area but for a number of years had been an inaccessible site, with the play equipment removed and was maintained as part of the Council's contract with Continental Landscapes.

Sincil Community Land Trust, working with the Sincil Bank Community Partnership, had received a grant of £25,000 from the Ministry for Communities, Housing and Local Government to develop this site into a Pocket Park for use by the local community.

It was recommended that the request to lease the land be approved, subject to some specific terms outlined at paragraphs 4 and 5 of the report regarding proposed use of the site and the City Council's obligations to enable disposal of the site. Details of the lease arrangements were outlined in paragraph 6 of the report.

Councillor Chris Burke highlighted that there was a lot of support in the community for this particular scheme.

32. Operational Performance - Quarterly Review

Purpose of Report

To provide the Executive with a summary of the operational performance position for quarter one of the financial year 2019/20.

Decision

That the Executive:

- (1) Notes the content of the report.
- (2) Requests that relevant Portfolio Holders ensure management has a local focus on those highlighted areas showing deteriorating performance.

Alternative Options Considered and Rejected

None.

Reason for Decision

The following updates regarding each of the Council's Directorates were reported, as follows:

- Chief Executive's Directorate – 67% of measures were above their target and 20% of measures were below target. Whilst a considerable amount of measures negatively changed in direction, most of these measures still remained above or within target;
- Communities and Environment Directorate – 56% of measures were above their target and 11% of measures were below target. Whilst a considerable amount of measures negatively changed in direction, most of these measures still remained above or within target;
- Housing and Investment Directorate – 64% of measures were above their target and 29% of measures were below target. Whilst seven measures negatively changed in direction, three of these remained at or above target.

With regard to sickness performance, the overall sickness data as at the end of June was 2.42 days per full time equivalent, excluding apprentices. This was significantly lower than the 2.9 days per full time equivalent in quarter one of 2018/19. During quarter one, the long term sickness per full time equivalent stood at 1.29, 0.67 days lower than quarter one in 2018/19, with short term sickness standing at 1.13 days, which was 0.18 days for full time equivalent higher than the same point last year.

In quarter one 85 complaints were received by the Council. The cumulative average time across all directorates to respond to formal complaints was 6.7 days and equated to a decrease of 0.9 days compared to the outturn in 2018/19. In quarter one the Council had two Local Government Ombudsman cases decided, neither of which were upheld.

There had been a number of achievements during quarter one as follows:

- the Arboretum, Boutham Park and Hartsholme Park had all won the Green Flag Award. Sites earned this national status if they were judged to be welcoming, safe and well maintained with strong involvement from the local community;
- the Lincoln Food Partnership, which the City Council was a partner, had won the University Vice Chancellor's Award for Public Engagement for research. The City Council's role had been to undertake research into fuel poverty and welfare reform;
- the Council was through to the Royal Institute of Chartered Surveyors' national awards having won the East Midlands Category for the Lincoln Transport Hub Awards. The grand final would take place on 4 October 2019.

The Chief Executive, in presenting the report, highlighted that planning applications, benefits, housing maintenance, food health and safety and sport and leisure in particular had performed very well during quarter one. In respect of housing maintenance, the reactive repairs service had received one of the best rates of performance this quarter for a long time and was within the upper quartile of performance in the country. With regard to sport and leisure, a significant increase in users had resulted from the recent investment in sites at Birchwood Leisure Centre and Yarborough Leisure Centre. Over the period of the first quarter these sites had attracted an additional 250,000 users.

Customer Services response times had decreased to 129 seconds, however, members agreed that this was still not a significant amount of time to wait for a call to be answered. The decrease had occurred for a number of reasons, namely due to a relatively high number of vacancies currently being carried by the team and the fact that calls, which often involved complex enquiries, were taking longer to deal with to ensure that issues were fully resolved for customers. The team was also currently taking calls for the Housing Solutions Team. It was noted, however, that this decrease in call waiting times would be addressed.

Councillor Ric Metcalfe, with regard to Customer Services response times, highlighted that staff were taking their time with calls to go the extra mile and ensure that customers' enquiries were completely resolved the first time that they contacted the Council. He made reference to the fact that the hold message did signpost people to the Council's website in an attempt to redirect customers to online self-service options, which in itself would reduce call volume into the Customer Services team. It was acknowledged, however, that not everyone had the capability or facilities to take advantage of the Council's online offer in this respect.

33. Financial Performance - Quarterly Monitoring

Purpose of Report

To present the first quarter performance on the Council's General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programme.

Decision

That the Executive:

- (1) Notes the progress on the financial performance for the period 1 April 2019 to 30 June 2019 and the projected outturns for 2019/20.
- (2) Notes the underlying impact of the pressures and underspends identified in paragraphs 3.2, 4.3 and 5.2 of the report, as set out in Appendices B, D and F respectively.
- (3) Approves the changes to the General Investment Programme and Housing Investment Programme as detailed in paragraphs 7.4 and 7.13 of the report.
- (4) Approves the proposed contributions to and from reserves.

Alternative Options Considered and Rejected

None.

Reason for Decision

Updates were reported as follows:

General Fund Revenue Account

For 2019/20 the Council's net General Fund revenue budget was set at £13,655,090, including a planned contribution from balances of £554,410, resulting in an estimated level of general balances at the year-end of £13,433,314.

The General Fund summary was currently projecting a forecast overspend of £235,912, as set out in Appendix A of the report. This forecast variance was the result of a number of forecast year-end variations in income and expenditure against the approved budget. Full details of the main variances were provided in Appendix B of the report while the key variances were noted as follows:

- Housing Benefit overpayment reduction - £368,000;
- Houses in Multiple Occupation reduced income - £93,260;
- Christmas Market reduced income and additional expenditure - £77,470;
- Car Parking additional income net of additional expenditure - £175,000;
- Crematorium additional income - £106,000.

The most significant of the forecast variations was the reduction in the level of housing benefit overpayment being raised. Whilst this was positive in that the number of overpayments were reducing, this in turn created a budgetary pressure. This was a continuation of a trend from 2017/18 and 2018/19 with the transition of benefits customers to Universal Credit and the use of 'real time' information which meant that the level of overpayments raised had drastically reduced. The budget pressure was as a result of the consequential reduced income from reclaiming the overpayment from the claimant and would require a budget realignment as part of the Medium Term Financial Strategy.

Although forecast outturn for the General Fund was a shortfall of £235,912, at this stage in the financial year forecast outturns were difficult to predict and often subject to volatility. This would continue to be monitored, with a further report to the Executive on this issue as part of the quarter two update report.

Additional contributions to earmarked reserves that the Chief Finance Officer had identified as being required, subject to outturn, included:

- Western Growth Corridor – Local Planning Authority. It was proposed that the planning application fee received for the Western Growth Corridor submission was transferred to a reserve and used for additional resourcing requirements in determining the application. A contribution of £150,000 was recommended;
- Active Nation – as part of the Active Nation agreement it was proposed that any underspends on maintenance and utilities would be put into an Earmarked Reserve to help fund any future major maintenance requirements.

Further to these additional contributions from reserves there were also a number of contributions from earmarked reserves that were required, subject to outturn, as set out in paragraph 3.6 of the report.

A question was raised regarding the reduced income associated with Houses in Multiple Occupation. It was reported that this related to new licensing requirements for Houses in Multiple Occupation and the associated license fee. It had been anticipated that the majority of landlords would sign up and pay the

required license fee within a two year period from the commencement of the new Regulations. Out of approximately 900 landlords in the city, currently 300 had paid the fee and signed up to the new requirements. Further work would take place to remind landlords of their new obligations, which could result in enforcement action in some cases, but it was expected that the reduced income would be recovered albeit over the next three years, within five years of the implementation of the new Regulations regarding licensing of Houses in Multiple Occupation.

Towards Financial Sustainability Programme

The savings target included in the Medium Term Financial Strategy for 2019/20 was £4,650,000. Progress against this target, based on quarter one performance, showed that secured and confident projections totalled £4,622,790, which resulted in a current forecast under achievement of the target in 2018/19 of £27,210. Work was currently underway through the Towards Financial Sustainability Programme Board to progress a further phase of year six projects, with a summary of the current position illustrated in paragraph 3.8 of the report.

Fees and Charges Income

Income from fees and charges represented a significant proportion of income to the Council, with primary sources being from car parking, development management and building regulations. A summary of the progress of these key income streams against the approved budget, together with the forecast variance for the first quarter of the financial year, was provided at paragraph 3.9 of the report.

Housing Revenue Account

For 2019/20 the Council's Housing Revenue Account net revenue budget was set at £7,610, resulting in an estimated level of general balances at the year-end of £1,034,179.

The Housing Revenue Account was currently projecting an in-year underspend of £98,923, which would increase the general balances to £1,133,102 at the end of 2019/20. The assessed prudent minimum balance for the Housing Revenue Account was currently £1 million. The level of forecast Housing Revenue Account balances would be monitored closely during the coming quarter and would be subject to a fundamental review as part of the Medium Term Financial Strategy 2018-23 process.

The components of the underspend were detailed in Appendix D of the report and were summarised as follows:

- staff variances – reduced expenditure of £187,000;
- rental income – reduced income of £52,000;
- Council Tax – increased expenditure of £37,000;
- increased Direct Revenue Fund contribution – increased expenditure £287,000;
- Housing Repairs Service surplus – additional income of £287,268.

Housing Repairs Service

For 2019/20 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

At quarter one the Housing Repairs Service was forecasting a surplus of £287,268 in 2019/20, with a summary and details of main variances set out in Appendices E and F respectively.

General Fund Investment Programme

The original General Fund Investment Programme for 2019/20 in the Medium Term Financial Strategy 2019-24 amounted to £3.123 million. This was increased to £14,392 million following quarter four approvals and year-end re-profiles from 2018/19. This had been further increased to £14.977 million during the first quarter of 2019/20, with a summary of the overall changes set out at paragraph 7.2 of the report.

Changes that required Executive approval for the first quarter, as illustrated in Appendix I of the report, were reported as follows:

- increase to the Disabled Facilities Grant scheme in line with additional grant received - £450,881;
- increase to Birchwood Leisure Centre for scheme delivery, which was funded from prudential borrowing - £30,000;
- increase to car park ticket machines funded from the Direct Revenue Fund - £20,000;
- Transport Hub completion – final accounts had now been settled and the remaining contingency would remain within the capital programme;
- increase to the artificial grass pitch scheme - £227,525. £136,121 had previously been agreed as part of contract agreements with Castle Academy/Active Nation and £60,000 of funding had been agreed from additional grants and Section 106 contributions.

Four new projects recommended by the Capital Programme Group were subject to Executive approval, as follows:

- addition of Boultham Park tennis courts scheme - £16,234 funded from town and country planning agreements;
- addition of Birchwood Leisure Centre roof scheme - £120,354 funded from the Strategic Properties Revenue Reserve (£38,490), Asset Improvement Reserve (£31,850) and backdated rent review reserve (£50,014);
- Hartsholme Country Park play area improvement scheme - £86,010 funded from capital contingencies (£48,014) and the unplanned capital works budget (£37,996);
- Lucy Tower Car Park lift refurbishment scheme - £116,632 funded from prudential borrowing via the agreed planning capital maintenance budget.

The overall spending on the General Fund Investment Programme for the first quarter was £7.8 million, which was 52.10% of the 2019/20 programme and 55.22% of the active programme and was detailed further at Appendix J of the report. Although this appeared to be a relatively high percentage of expenditure at this stage of the financial year, the expenditure related largely to the Deacon Road retail park scheme, with expenditure on the remaining programme being 8.32%.

Housing Investment Programme

The original Housing Investment Programme for 2019/20 in the Medium Term Financial Strategy 2019-24 amounted to £16.225 million and was increased to £26,560 million following approvals and year-end re-profiles as part of the 2018/19 outturn. This had been further adjusted to £19.124 million during the first quarter of 2019/20, with a summary of the changes set out at paragraph 7.9 of the report.

Expenditure against the Housing Investment Programme budget during the first quarter was £1.558 million, which was 8.15% of the programme. A further £626,600 had been spent as at the end of July 2019, with expenditure detailed further at Appendix L to the report.

34. Strategic Risk Register - Quarterly Review

Purpose of Report

To provide the Executive with a status report of the revised Strategic Risk Register as at the end of the first quarter 2019/20.

Decision

That the Executive:

- (1) Agrees that all current risk challenges have been identified.
- (2) Ensures that any gaps in respect of controls and ownership are addressed.

Alternative Options Considered and Rejected

None.

Reason for Decision

Since the previous report to the Executive on the Strategic Risk Register, the document had been reviewed and updated by the relevant Strategic Directors and Assistant Directors as part of an annual review of all strategic risks and horizon scanning. This review had identified that there had been some positive movement in the Risk Register.

A number of control actions had now been progressed or completed and the key movements were outlined as follows:

- Risk 2 – failure to deliver a sustainable Medium Term Financial Strategy. The Medium Term Financial Strategy 2019-24 was approved in March 2019 based on revised assumptions and with increased savings targets;
- Risk 3 – failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council. The Investment Strategy for property acquisition was developed and approved in March 2019. Draft project plans had been developed with programme mapping complete in respect of phase six of the programme. Key messages had been communicated in staff briefings and the Transformational Change lead had been appointed, focussing on the 'One Council' approach;

- Risk 4 – to ensure compliance with statutory duties and appropriate governance arrangements were in place. A procurement exercise had taken place to replace the Council's core IT infrastructure including disaster recovery functionality, with implementation during the Autumn 2019;
- Risk 5 – failure to protect the local authority's vision 2020 due to changing structures and relationships in local government and impact on size, scale and scope of the Council. Further work was planned to maintain dialogue with partners at officer level and to assess the overall impact as well as consider alternative options for delivery;
- Risk 6 – unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the Council's Vision 2020 and the transformation journey to the 'One Council' approach. Project Boards had now been set up to focus on key areas of delivery underpinning the 'One Council' approach with a managers' briefing to be held in August 2019 to finalise the four pillars to support the 'One Council' approach. Research and visits were scheduled with relevant organisations to provide expertise and guidance in progressing the transformational journey, linking in organisational development and future new ways of working;
- Risk 7 – insufficient levels of resilience and capacity exist in order to delivery key strategic projects and services within the Council. A review would be undertaken to agree timelines for existing Vision 2020 and legacy projects in order to plan for Vision 2025;
- Risk 8 – decline in the economic prosperity within the City Centre. A continuous review was undertaken pending a 'no deal brexit' outcome. Proposals for the Cornhill, the Central Market and city centre vibrancy, together with the review of a Service Level Agreement with Lincoln BIG were scheduled for quarter two.

The above movement in control actions and annual review of the register had resulted in five changes to the assessed levels of likelihood and impact of risks identified on the register. These were illustrated in paragraph 3.2 of the report, with levels of assessed risks set out at paragraph 3.3.

35. Melbourne Road Open Space

Purpose of Report

To consider the appropriation of land between Housing Revenue Account and the General Fund in order to facilitate the development of an allotment site.

Decision

That the appropriation of land identified in Appendix A in respect of open space at Melbourne Road from the Housing Revenue Account to the General Fund to the value of £20,000 be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Council had been bringing into fruition the authority's Allotments Strategy, based on significant investment raised from the sale of the Riseholme Road allotment site. In order to permit this happening, the Ministry of Housing, Communities and Local Government was required to grant permission to de-statutorise the site. The Ministry agreed to do this, provided a suitable alternative site, ideally in the south of the city where allotment provision was poor, could be identified.

A site off Melbourne Road had been identified, which was currently within the ownership of the Housing Revenue Account. It was therefore recommended that the site be appropriated to the General Fund.

Councillor Ric Metcalfe praised this scheme and was keen to see improvements to allotment provision in the south of the city.

36. De Wint Extra Care Sheltered Housing Delivery Update and Proposed Local Lettings Policy

Purpose of Report

To provide the Executive with an update on the delivery of the extra care sheltered housing scheme at De Wint Court, including an update on the legal agreements with the County Council.

The report also sought approval of a Local Lettings Policy for the scheme.

Decision

That the Executive:

- (1) Notes the update on the delivery of the scheme at De Wint Court.
- (2) Approves the Local Lettings Policy for the De Wint Court extra care housing scheme, as set out at Appendix 1 attached to the report.
- (3) Delegates authority to the Strategic Director of Housing and Investment, in consultation with the Portfolio Holder for Quality Housing, to agree any minor changes to the Local Lettings Policy.

Alternative Options Considered and Rejected

Other options considered were set out in paragraph 10.1(i) of the report.

Reason for Decision

It was noted that the new-build extra care sheltered housing scheme at De Wint Court was to provide 70 one and two bedroom flats to enable older people to live independently in a modern setting with on-site care and support. The scheme was due to commence on-site in November 2019 and to complete by the end of September 2021. In order to secure nominations to 50% of lettings, Lincolnshire County Council would provide the City of Lincoln Council with a capital funding contribution.

De Wint Court had full planning permission and the scheme's build had been procured using a two-stage selection questionnaire and invitation to tender process. Following the assessment of fourteen returned selection questionnaires, five suppliers were invited to tender for the build of the scheme. The successful supplier would be appointed in September 2019.

The report provided the legislative background to allocations to council housing, as well as details relating specifically to the City of Lincoln's Allocations Policy. With regard to the proposed De Wint Local Lettings Policy, this required that applicants would need to be accepted onto the Lincs Homefinder housing register and added two further criteria. The first criteria was the need for qualifying persons to have a local connection, in that applicants must have:

- been continuously resident in the city of Lincoln for twelve months, or;
- a close relative living in the city of Lincoln who had done so for the last five years or more, or;
- been employed in the city of Lincoln on a permanent or long-term contract for 16 hours or more per week.

It was noted that the local connection qualification may, however, be waived on an exceptional basis.

The second criteria required applications to be aged 55 years or over, with any associated partner being aged 50 or over.

The proposed Local Lettings Policy also considered property size eligibility, allowing single persons and couples to be considered for two bedroom accommodation based on their housing and support needs. It also stated how Lincolnshire County Council would nominate to 50% of the allocations and how applications would be assessed in terms of housing and support needs. These aimed to ensure that there was a balance of care needs in the scheme.

37. Housing Delivery Update

Purpose of Report

To provide an update on the progress made to deliver and enable a pipeline of affordable housing in the city, as laid out in Vision 2020.

The report also sought approvals of proposals to deliver new-build affordable rented homes at the vacant Markham House site and to advance plans for a scheme of approximately 44 units on Council owned land at Rookery Lane.

Authority was also sought for a draft delivery programme for Council new build and acquisition for 2019-22 to keep a pipeline of development coming forward, together with feasibility works on a range of potential in-fill sites.

Decision

That the Executive:

- (1) Approves proposals to deliver five two-bedroom four person affordable houses for rent at the vacant Markham House site.

- (2) Approves the undertaking of survey and design work for an affordable housing scheme at Rookery Lane.
- (3) Approves the undertaking of initial feasibility works in order to explore the viability of in-fill sites.

Alternative Options Considered and Rejected

None.

Reason for Decision

Over the five year period 2012-17 the Council directly delivered 30 affordable homes for rent across the following sites:

- Wellington Street – five lifetime homes;
- Stapleford Court – five lifetime homes;
- Birchwood – 20 bungalows, with 19 lifetime homes and one wheelchair standard.

In 2017 the Council produced its Strategic Plan, Vision 2020, which set out a commitment to enabling the delivery of 400 affordable homes by 2020. Through a combination of acquisitions and enabling, 284 affordable homes were delivered over the period 2017-19.

Whilst additional affordable homes were being delivered, however, sales through the Right to Buy resulted in a reduction of affordable housing available provided through social housing tenancies. Therefore, in order to replace the stock that was lost through Right to Buy and maintain supply, a pipeline of 45-50 new affordable homes per year was required.

It was reported that in October 2018 the Housing Revenue Account borrowing cap was lifted, enabling the Council to continue its own housebuilding programme after 2020.

In order to continue a pipeline of new affordable homes, the following schemes had already been approved or were proposed:

- De Wint Court: a scheme of 70 one and two bedroom affordable extra care sheltered housing apartments for rent;
- Markham House site: a scheme of five two bedroom affordable houses for rent. Further details relating to this scheme were highlighted in paragraph 4.5 of the report;
- Rookery Lane site: proposals for a scheme of approximately 44 new-build affordable dwellings for rent and shared ownership. Further details relating to this scheme were highlighted in paragraph 4.6 of the report.

In addition, the Council was working with local residents to develop an improved and potentially remodelled or extended scheme at Hermit Street flats in Sincil Bank.

A combination of Homes England and Lincolnshire County Council grant was part-funding the De Wint Court extra care sheltered housing scheme, delivering a net gain of 37 dwellings. In addition, Homes England grant funding was enabling partner housing associations to deliver a further 147 units over the period 2019/22.

The Council had viable levels of useable Right to Buy receipts. During 2019/20 the Council was continuing to acquire former local authority dwellings on the basis that these dwellings were cost effective to manage and maintain and usually had good size standards, with other dwellings considered for purchase when they met a specific identified need. It was proposed that this programme of acquisitions would continue alongside a delivery of new housing to maintain a pipeline of council housing to serve immediate and future needs and to contribute to the wider inclusive growth agenda for the city.

Councillor Ric Metcalfe said that the Council should be proud of its achievements in respect of housing delivery, with the progress made taking the authority closer to its commitment to enabling the delivery of 400 affordable homes by 2020. More targets associated with housing delivery would feature as part of the Council's Vision 2025.

Councillor Nannestad echoed these sentiments but was keen to ensure that the Council planned for the future and had other sites ready to progress for development, maintaining the momentum.

It was noted that the work associated with progress to date in respect of housing delivery had been a very good example of the way in which different Departments, namely Housing and Investment, Major Developments, Finance and Legal had all worked collectively together, demonstrating the 'One Council' approach.

38. Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following items of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

These items were considered in private as they were likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations had been received in relation to the proposal to consider these items in private.

39. Strategic Risk Register - Quarterly Review

The minute associated with this item was set out in item 34 above.

Decision

That the recommendation contained within the report be approved.

40. Housing Delivery Update

The minute associated with this item was set out in item 37 above.

Decision

That the recommendations contained within the report be approved.

41. Boultham Park Lake Restoration Project Update

Purpose of Report

To update the Executive on the restoration of Boultham Park, specifically the restoration of the lake and the forthcoming bid to the National Lottery Heritage Fund.

Decision

That the recommendation contained within the report be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Executive had considered and supported different elements of the Boultham Park restoration previously. The report provided an update on the lake restoration, the planned timeline and the funding position.

SUBJECT: LINCOLN BIG BALLOT

DIRECTORATE: COMMUNITIES AND ENVIRONMENT

REPORT AUTHOR: SIMON WALTERS, STRATEGIC DIRECTOR OF COMMUNITIES AND ENVIRONMENT

1. Purpose of Report

- 1.1 To update Members on the Lincoln Business Improvement Group (BIG) ballot and highlight the potential impacts of a 'yes' and 'no' vote for the city. To also seek Executive views on how the nominated officer should vote in the ballot using the votes attributable to council properties within the Business Improvement District (BID) designated area.

2. Executive Summary

- 2.1 Lincoln BIG will be undertaking their fifth voting process from September-November 2019 for their operational period July 2020-July 2025. An All Member workshop was held on 31st July 2019 where the full extent and remit of BIG operations were discussed, along with a vision for their future role within the BID levy area.
- 2.2 The views expressed in that workshop were very positive, and officer advice is to vote in favour of continuing with the BIG arrangement in the forthcoming ballot.

3. Background

- 3.1 Lincoln BIG is a business controlled by a board of directors drawn from city centre stakeholders. As a founder member of BIG, the City Council has two representatives on the Board – Leader and Deputy Leader. Every five years business ratepayers in the city centre are invited to vote for the continuation of Lincoln BIG for the following five years. All business rate payers in the area have a vote on the proposals and to go ahead more than 50% of those who vote have to vote 'yes'. Those in favour must also represent at least 50% of the rateable value of those who vote.

- 3.2 Lincoln BIG last undertook the ballot in 2014, whereupon:

831 ballot papers were issued with 444 papers returned representing a turnout of 53.4%. These votes were made up as follows;

- 365 – Yes
- 69 - No
- 10 - Spoilt

The votes in favour excluding spoilt was 82.2%.

The rateable value of the 'yes' votes = £23,994,850

The rateable value of the 'no' votes = £1,259,700

- 3.3 Lincoln BIG were therefore mandated to continue their work for the period 2015 - 2020.

4. The BID Ballot Process- 2019

- 4.1 The Council is obliged to supply information from its business rates records to allow BID promoters to canvass interest in a BID, and if a BID proposal is pursued, the Council's Returning Officer must arrange to ballot those businesses entitled to vote.

For the BID to succeed, more than 50% of those businesses that vote (both by number and rateable value) must vote in favour of the BID proposal. If more than 50% a "yes" vote is achieved, the BID levy is compulsory for all businesses in the BID area. Even if they voted "no", or declined to vote.

The cost of staging the BID ballot must be borne by the Council. However, if less than 20% of eligible ratepayers vote in favour of the proposals then the cost of the ballot can be recharged to the BID promoter. A recharge can also be applied if the ballot was unsuccessful or is declared void due to acts of omissions of the BID proposer/body. It is beholden on the BID promoter, therefore, to ensure that the BID has a reasonable level of positive support before calling the ballot.

- 4.2 The proposed timetable for the ballot in 2019 is;

- Notice of ballot – 24th September 2019
- Ballot papers out to eligible voters – 9th October 2019
- Close of ballot – 6th November 2019
- Count – after 5pm on the 6th November 2019

5. The BID Levy Mechanics

- 5.1 At 1st July 2020, the BID levy charge will be at 1% of the Rateable Value in the 2017 Non Domestic Rating List for the hereditament at the time of the proposal. Changes to the Rateable Value after 24th September 2019 are ignored for the purposes of the BID Levy Charge. The only exception to this is where the hereditament undergoes extensive work and the Valuation Office reduce the Rateable Value to either 0 or 1. Where this happens the Rateable Value for the BID Levy will also be reduced to 0 or 1, which effectively is an exemption on the BID Levy for this period of works.

If a hereditament is removed from the Non Domestic rating listings, it will be removed from the BID Levy. If a new hereditament is brought into the Non Domestic Rating list and a charge will be made for a BID Levy based on the new Rateable Value.

Hereditaments with a Rateable Value of less than £6000 in the Non Domestic Rating list for 2017 will not be charged, nor will they be able to vote.

- 5.2 Educational institutions will be charged the full 1% levy, whilst charity shops will be charged 0.5% of the BID levy. Managed shopping centre tenants will also only be charged 0.5% of the levy. It is anticipated that owners of managed shopping centres will continue to make additional contributions through the investor membership of Lincoln BIG.
- 5.3 It is proposed that the BID levy will be collected by the City of Lincoln Council. The BID levy for the period July 2020-July 2025 will be fixed based on the 2017 rateable value of property as at 24th September 2019 and any changes to the rateable value after this date will not affect the BID levy charged.

At a 1% BID levy the indicate costs to a business would be:

Rateable Value	Annual BID Levy for 20/21	Weekly cost for 20/21	Daily cost for 20/21
£6000	£60	£1.15	£0.16
£20,000	£200	£3.85	£0.55
£50,000	£500	£9.60	£1.37
£100,000	£1,000	£19.23	£2.75
£250,000	£2,500	£48.08	£6.89
£500,000	£5,000	£96.15	£13.74

In terms of impact, larger businesses with a rateable value between £100,000-£500,000+ will pay over 50% of the annual contribution, whilst the very smallest businesses with rateable values between £6,000-£10,000 around 4% of the total.

Once billed, the recovery of the Bid Levy follows the same legislation as the Non Domestic Rates. The Revenues and Benefits team at the City of Lincoln Council will continue to bill and collect the BID Levy. A recharge of £15,000 was made to the BID levy for the administration and recovery of their BID Levy in 2019/20. This charge will be reviewed as part of any associated SLA for the period July 2020 to June 2025.

6. All Member Workshop

- 6.1 On 31st July 2019 officers from Lincoln BIG and the City Council facilitated an ‘all member’ workshop to consider, analyse and review the proposed business plan for BIG covering the next five years. The meeting also examined the record of accomplishments of BIG over the previous five years. The material considered at that meeting is attached in **Appendix A**.

Members also briefly considered the impact of a “no” vote on both city centre vibrancy and the likely resultant impact on the city council itself. It was clear that the public would expect the council to step in to deliver many of the initiatives directly. As Members are aware, the current Medium Term Financial Strategy does not provide the necessary resources for the city council to do this.

- 6.2 There was unified consensus from attendees that the Council should use its votes to cast a ‘Yes’ vote. In addition, workshop Members recommended that the city council should finalise a new service level agreement with BIG defining the extent of city centre activity undertaken by the city council and hence agreeing areas where BIG can enhance that provision through its own operations. This work is

nearing completion and will be the subject of a future report to Executive.

7. Impact of an Overall ‘Yes’ Vote

7.1 As Members will note from **Appendix A**, the impact of a ‘yes’ vote will result in BIG focussing on three strategic areas of activity:

A. **Welcome** – co-ordinating a partnership approach to ensure we have a safe and well- managed city centre. This involves:

- Providing a warden service to maintain high standards in the city centre
- Tackling begging and anti-social behaviour working with partners
- Continuing security initiatives in the city centre such as Pub watch and the security group
- Enhancing the public realm through floral displays, enhanced street cleansing and street dressing

B. **Experience** – creating a world class experience for all who visit the city centre. This involves:

- Delivering a range of events
- Maintaining the city centre as a destination shopping centre
- Animating the public spaces through trails, art and performances
- Enhancing the tourism offer

C. **Value** –use the collective voice of levy payers and partners within the City. This involves:

- Administering the BIG bus and car parking deals
- Supporting business growth through tailored advice and support
- Being involved in transport initiatives that affect the city centre
- Campaigning to draw out the special character of Lincoln

8. Impacts of an Overall ‘No’ Vote

8.1 BIG have included a section in their material which highlights the impact of a “no” vote:

- The full range of services would continue until December 2019.
- No new schemes will be developed and no renewals or new applications for car parking and bus deals will be accepted from November 2019.
- Park & Ride Service will be terminated February 2020.

- In March 2020 our events programme will cease, and our car parking and bus deals terminated, websites will close and security group services cease, Evening Economy management programmes will be terminated, and our administration of trader group meetings cease, the Lincoln in Bloom will terminate and the Radio Link Scheme close down.
- Fashion Week, 1940s, Christmas events, Street food Festivals etc. will not take place in 2020.
- Loyal Free App will cease June 2020.
- June 2020 – Lincoln BIG will cease to operate, the City Centre Wardens will terminate and the Lincoln BIG office close.
- Any remaining assets of Lincoln BIG will be passed to another organisation at the discretion of the Lincoln BIG Board.
- The 2020 trail will be completed by September 2020 by negotiation with our Charity Partner.

9. Strategic Priorities

9.1 Let's drive economic growth

Lincoln BIG continues to provide a vital role in the vibrancy of the city centre. At a time when high streets across the country are struggling, in Lincoln it is very resilient and this in part is due to the activities of BIG.

9.2 Let's enhance our remarkable place

Providing exciting events and activities that animate the city centre all enhance what Lincoln has to offer. Be it culture, heritage, arts or entertainment – the range of activities undertaken by BIG which attract people into the city centre enhance the city's reputation.

BIG also play a direct role in creating a remarkable city centre through their work in partnership with the city council on safety, security and cleansing.

10. Organisational Impacts

10.1 Finance

The City Council is a levy payer in its own right, and the budget for the BID levy for the various city centre hereditaments is £24,553.50 in 2020/21. In reality this would be a saving in the event of a 'no' vote. However, this saving would be insufficient to fund the city council stepping in and undertaking the 'lost' activities directly. The full list of council properties is covered in **Appendix B**.

10.2 Legal Implications

The ballot is being held in accordance with the Business Improvement Districts (England) Regulations 2004.

10.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

There are no equality, diversity or human rights issues with the casting of a 'yes' or 'no' vote for the purposes of an increased levy on the business rates charge.

11. **Risk Implications**

11.1 (i) Options Explored

The alternative is to mandate officers to vote "no" in the ballot. As covered in the main body of the report this would lead to a full range of activities being closed down. At a time where city centres need dedicated support to help them evolve into new and exciting places, the role of BIG in creating those visitor experiences would be lost with such a NO vote, which would have a large impact on the vibrancy of the city centre.

12. **Recommendation**

12.1 It is recommended that the Executive instruct the Chief Finance Officer to cast votes for City Council properties with a 'Yes' to the Lincoln BIG ballot.

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?	two
List of Background Papers:	None

Lead Officer:	Name, Simon Walters Telephone (01522) 873470
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Lincoln BIG

Business Improvement Group

Making Lincoln City Centre a great place

Business Plan 2020-25

www.lincolnbig.co.uk

Introduction from Ursula



Lincoln BIG plays an important role in a city which has fast-gained a reputation as THE place to live, work, visit – and run a successful business

I'm proud to be able to say that, for more than a decade, there has been no let-up in Lincoln's power to act as a magnet for major investment.

That trend continues to see millions of pounds being ploughed into the retail, service, higher education and tourism sectors, extra money being spent on our impressive historic venues and the arrival of more exciting high-growth companies.

Outside and local investment has been supported by important infrastructure changes too, including the completion of the city's East-West Link Road and Lincoln's smart new Transport Hub, with its state-of-the-art bus station and adjacent multi-storey car park.

A dramatic renaissance is underway in The Cornhill Quarter, where Lincolnshire Co-op is investing £70 million in a phased scheme that has attracted new names in shopping and leisure. Now the city's exciting Everyman Cinema is taking shape.

Lincoln BIG sits at the heart of this changing scene, providing sterling support designed to help businesses to succeed in the face of changes which are driving footfall and opportunities to attract more customers, despite nationally led commentaries about the state of the High Street. I think Lincoln definitely stands out from the crowd!

Over the past five years, Lincoln BIG has supported businesses in many ways, including through its security group and Pubwatch services, radio scheme, street cleaning initiatives, travel schemes for city employees, management of the night-time economy and vibrant events.

Our levy payers have benefited from all these services and more. Now, ahead of our five-yearly rebalot, I am delighted to commend our 2020-2025 Business Plan to you.

I hope it will encourage you to VOTE YES in our Autumn ballot – giving BIG a mandate to serve you for another five-year term.

To get the "green light" we need more than 50 per cent of our levy payers to say YES – and that the YES votes must represent at least 50 per cent of the Rateable Value of the businesses and organisations casting votes.

Business owners and managers who have not had time to sit down and look at the real cost of their own levy, and what they get in exchange, might be surprised. Why not sit down with a cuppa and read more about Lincoln BIG.

It costs a small independent the price of one cup of coffee and a national retailer seven cups of coffee a week. We think you are worth it. We hope you do too!

Ursula Lidbetter OBE
Chairman

Introduction from Sarah



Lincoln BIG is committed to giving its levy payers first class support and great value for money.

Our Business Plan for 2020-2025 has focused on three key priorities. This has been a fascinating exercise and required me to reflect on our achievements to date and devise clear priorities for the next five years.

I hope you will find Lincoln BIG's plan exciting, interesting and persuasive. It is based on what you have told us and in-house research from my staff and our Board of Directors.

When you start listing everything, it is amazing how much we have done already but, in today's fast-moving business environment, we knew it was vital to come-up with strong priorities for the future – even though we will be working even harder to give levy payers the best value for their money.

We decided on just three priorities. The good news is – they are wide-ranging enough to help all our levy payers and we've already made a head start on delivering them! We are also confident that they complement the needs of our ever-evolving city.

1. Welcome

It's vital that Lincoln is bright and welcoming. We have increased our team of street wardens to three people and we've a volunteer on board too. They are continually out and about, giving street furniture a lick of paint, popping to see levy payers, putting our Gumbuster machine 'Chewy Chew' and street "hoover" to work and signposting visitors too.

2. Experience

We know locals and visitors love Lincoln's fabulous mix of events and attractions. We have pledged to put extra polish on those we organise ourselves, as well as to support those led by others. We will also work with partners to deliver new quality events.

3. Value

We have more than 800 levy payers. They range from retailers to service businesses to educational establishments and charities. Naturally, they have varying needs. We will introduce new initiatives to help drive customers to our levy payers and we will ensure appropriate business support is provided where required.

We will also continue to run our popular Bus and Car Parking pass scheme.

Our Chairman, Ursula Lidbetter has explained how each levy payer will pay anything from the price of one cup to seven cups of coffee a week for our service if you say YES and vote us back in later this year.

Like Ursula, I hope you feel that we offer you a really great deal and that you will be encouraged to vote YES in our re-ballot and give us a further five years in office – simply because you believe you are worth it!

As we move closer to that vote – which closes on Wednesday 6 November – please keep in touch with the latest news from Lincoln BIG by checking our website news, newsletters and our social media channels. Please call us on 01522 842704 if you have any further questions.

Sarah Loftus
Chief Executive

MAKING A DIFFERENCE IN LINCOLN, NOW AND FOR THE FUTURE



Priorities for the BIG 2025

We propose to focus on three priorities over the next five years with five key focus areas

1. Welcome

The key priority for Lincoln BIG is to focus activity around delivering a coordinated and effective approach to ensure Lincoln offers a well-managed, welcoming and safe city centre.

You want a safer, cleaner, well managed and welcoming city centre. You want an excellent Warden service that focuses on removing graffiti, maintaining public spaces, street furniture and signage. You want a BIG that ensures pride in the environment, delivering initiatives and projects that create a clean, bright and amazing city environment and landscape. You want a city free from anti-social behaviour, that is well connected and safe to use at all times of night or day.

WHAT WE WILL DELIVER IF YOU VOTE YES:

Warden Service

We will employ wardens who will protect and maintain your streets, working closely with City of Lincoln Council, Lincolnshire Police and other key partners. We will ensure street cleaning is undertaken to a high standard.

Street Management Service

We will work closely with City of Lincoln Council, Lincolnshire County Council, Lincolnshire Police and other agencies to reduce the level of begging and anti-social behaviour in the city centre. We will develop and support initiatives to disrupt anti-social hotspots occurring. We will work with business owners, public bodies to reduce the number of vacant properties.

Night Time / Evening Economy

We will continue to run the two successful Pubwatch Schemes, support Lincoln Street Pastors, develop the radio scheme and initiatives such as Ask Angela and the Drinks Detective Kits.

Security & Safety

We will grow and strengthen our Security Group, improve communication and target resources to reduce shop theft, anti-social behaviour, begging and illegal activity in the city centre. We will continue to lobby others to ensure they meet their responsibilities.

Street Dressing

We will continue to develop initiatives which enhance and improve the public realm. We will dress the streets with interesting art and culture that creates a stunning environment for people to enjoy. Our streets will be the envy of other cities showcasing floral displays, Christmas decorations, cultural points of interest, colourful displays and creative spaces.

Actions for delivery 2020 - 2021

- Manage and maintain our Warden service.
- Respond to business' requests to target hotspot areas for cleaning using our gum removal machine and vacuum and for graffiti removal.
- Deliver four community clean-up projects.
- Deliver and manage Lincoln in Bloom project.
- Increase the number of venues involved in the Ask Angela Campaign and increase membership of our Security Group by 10%.

2. Experience

The second key priority for Lincoln BIG will be to focus on creating a world class experience for all who visit.

We will make Lincoln a destination of first choice to visit, live and work in. We would continue to deliver and support high quality events, animate the city with a focus on delivering cultural, independent themed activities, celebrating Lincoln's history and modern future. Lincoln BIG would continue to create trails which entertain and encourage footfall in the city. As well as working in partnership to develop a high street that bucks the trend and keeps a strong, diverse retail sector in Lincoln.



WHAT WE WILL DELIVER IF YOU VOTE YES:

Events

We will deliver quality events/festivals unique to Lincoln each year, working closely with our partners. We will grow these events to have a regional and national importance e.g. Steampunk, 1940s Weekend, Lincoln Fashion Week, Lincoln by the Sea and Frequency Digital Arts Festival.

Animating the City

We will coordinate a year long events calendar plan on behalf of partners, bringing together a festival of events. We will animate the city – a place where everyone will want to spend time each weekend – Lincoln becomes recognised as the animated, alive city for its residents, workers and visitors ‘Something will always be happening in Lincoln’.

Vibrant High Street Experience

We will continue to work with retailers to create unique shopping and High Street experiences. We will ensure Lincoln is a destination shopping experience. We will develop new initiatives and projects with the Healthy High Streets group to ensure Lincoln bucks the trend.

Public Spaces Strategy

We will manage our public spaces, creating a series of events to bring our public spaces life, to ensure they are well used, well managed and protected. We will do this by working with others to target resources to ensure they are spaces of interest and quality.

Tourism Projects

We will work with partners to ensure our visitors have a quality experience in the city centre. We will ensure signage and wayfinders enable people to navigate around the city easily. We will promote our events and activity to visitors, residents and workers through our social media and working with other organisations such as Visit Lincoln, City of Lincoln Council, Lincolnshire County Council, Bailgate Independent, CityX and Lincolnshire Echo. We will develop and deliver tourism products that complement our partner's events, eg Lincoln Castle, Lincoln Cathedral, Lincoln Drill Hall, New Theatre Royal and University of Lincoln to maximise opportunities and resources.

Actions for delivery 2020 - 2021

- Deliver five quality events.
- Deliver a sculpture trail and manage existing seasonal trails in the city.
- Develop tourism projects with our partners.
- Develop five High Street experiences.
- Develop a public spaces plan with landowners.

3. Value

Our third priority is to represent value for money and use the collective voice of levy payers and partners within the city.

This will ensure Lincoln city centre remains competitive, sustainable and people will want to remain and come to Lincoln. This would include supporting initiatives that make a real difference to people's experience of working in the city, e.g. Bus and Car Parking permits, cycling schemes. Lincoln BIG will support and develop loyalty schemes, training schemes and encourage inter-trading and collaborations between businesses within the city centre. The coordinated voice for businesses on key issues, be business led, business controlled and business funded to ensure the BIG meets the needs of levy payers and employees.



WHAT WE WILL DELIVER IF YOU VOTE YES:

BIG Bus and Car Park Deals

We will continue to deliver the BIG Bus and Car Park deals for levy payers and their employees.

Partnership Working

We will host, manage and develop joint initiatives and cost saving exercises which will encourage inter-trade and collaborations, e.g. buy local initiatives and increase BID levy benefits between BID levy payers.

We will develop specific campaigns to professional services in Lincoln city centre to raise their profile locally and regionally.

We will seek out grants to support business growth. We will work with Colleges and Universities to develop training schemes for businesses – funded and unfunded.

Access

We will be the strategic voice for businesses to ensure access to the city centre.

Park & Ride

We will continue to manage the service with a subsidy from City of Lincoln Council, Lincolnshire County Council and Stagecoach East Midlands while needed.

Promotional Activity

We will work with stakeholders to promote Lincoln's uniqueness, identity and culture. We will do this through developing appropriate campaigns.

Actions for delivery 2020 - 2021

- Increase take-up of the BIG Bus and Car Park passes by 5%.
- Forty businesses to receive up to 12 hours of targeted support under the Collaboration4Growth programme.
- Enable businesses to access the Collaboration4Growth programme.
- Manage and promote the Park & Ride service.
- Work with Partners to promote Lincoln's uniqueness through three campaigns.

Proposed annual budget

	Levy		Other Income Generation	Total Budget
	£403,890		£613,564	
Priority One Welcome	£161,556	40%	£81,573	£243,129
Priority Two Experience	£161,556	40%	£100,000	£261,556
Priority Three Value	£80,778	20%	£431,991*	£512,769
			Total	£1,017,454

This proposed budget will change if the need arises and will be reviewed annually. * Primarily income from bus and car deals.

Rateable Value	Average Annual Amount per Business	Average Weekly Amount per Business
£6,000-£9,999	£94	£1.82
£10,000-£19,999	£141	£2.73
£20,000-£49,999	£316	£6.02
£50,000-£99,999	£706	£13.51
£100,000 and above	£2,694	£51.66

It doesn't cost much per week:

Small Independent



Independent Retailer



National Retailer

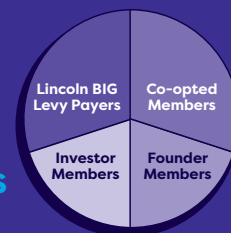


Large National Retailer



THE EQUIVALENT IN CUPS OF COFFEE...

Meet the Board of Directors



Lincoln BIG is a not-for-profit organisation limited by guarantee with a Board of Directors representing businesses from within the BID area.

Founder Members

Ursula Lidbetter OBE
Lincolnshire Chamber of Commerce
Suzanne Sampson
Lincolnshire Chamber of Commerce
Councillor Richard Metcalfe
City of Lincoln Council
Councillor Donald Nannestad
City of Lincoln Council

Lincoln BIG Levy Payers

Carl Jacklin Agathas
Mark Hollingworth Flowers by Suzanne
John O' Donoghue Home / Craft / Old Curiosity Shop
Mark Brewer Imp Travel
Stan Matthews Thompson & Richardson (Lincoln) Limited
Ian Robinson White Hart Hotel

Investor Members

Freddie Chambers Lindum Group
David Lewis Siemens
Dave Skepper Stagecoach East Midlands
Valerie Johnson St Marks Shopping Centre

Co-opted Members

John Latham University of Lincoln
Elly Sample University of Lincoln
William Harrison Lincoln Cathedral
Councillor Colin Davie Lincolnshire County Council
Gemma Skaley Lincoln College
Stewart Brinn Lincolnshire Police

Company Secretary

Michael Squirrel Wilkin Chapman LLP

The Directors of the BID represent businesses in the BID area. Some Board members are elected, with others nominated to ensure expertise and representation.

The Board will continue to meet every three months with responsibility for governance matters such as financial arrangements, contractual obligations, human resources, standards, performance and compliance.

Where representative changes, they will be replaced in November 2019 at the AGM.

The BID Rules - If you Vote yes

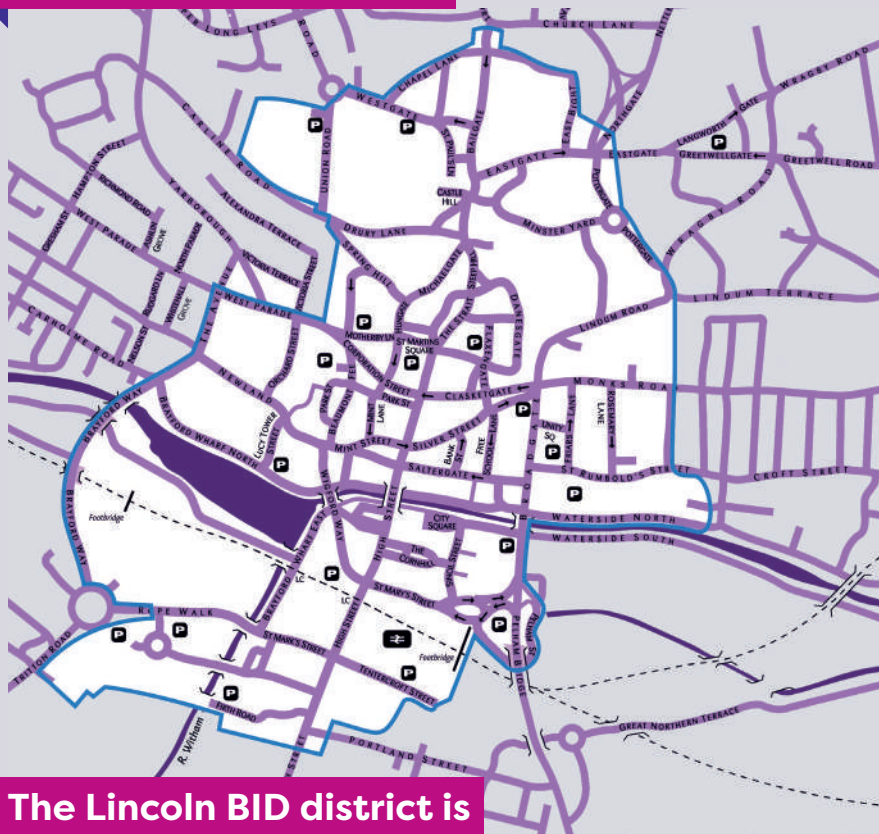
- The BID levy will be collected by the City of Lincoln Council as previous years, based on the legislation for non-domestic rates. This will be governed by a Service Level Agreement between Lincoln BIG and the City of Lincoln Council.
- To keep the current levy rate at 1% based on the 2017 rateable value, this will bring in a BID levy of approximately £403,890.
- The levy threshold should remain at £6,000. The initial list indicates that there are 852 business ratepayers who will receive a BID levy.
- Inflation to the BID levy will be applied based on the Retail Price Index (RPI) at the beginning of May each year.
- Unoccupied premises will be charged the full levy with the exception of properties left empty due to administration or liquidation.
- New premises constructed during the term to pay a levy based on the rateable value at the time of occupation.
- Where property is split or merged, the levy will be based on the new rateable values issued at the time of the change.
- Managed shopping centres already provide some of the services proposed in the BID Business Plan. However, businesses will benefit from the events, environmental and access improvements and footfall. In recognition of this, a levy of 0.5% will be applied to tenants of managed shopping centres.
- Educational institutions will be charged the full 1% levy. They have much to gain from Lincoln BIG through improved city centre ambience to attract students and conferences.
- Charity shops benefit from marketing, proved retail ambience and free security group membership. Charity shops will be charged at 0.5% of the BID levy.
- It is anticipated that owners of the managed shopping centres will continue to make additional contributions through the Investor membership of Lincoln BIG.

How will we measure our success?

- Customer and business surveys x 1 per year.
- PR and media coverage and social media reach.
- Performance reports to the Board.
- Annual Report with an Annual General Meeting (AGM).
- Quarterly review meeting with key investors.
- Communicate with businesses throughout the year by email bulletins, social media, drop-in sessions, door to door visits.
- Number of businesses actively engaged in Lincoln BIG activity and projects.
- Increased footfall and visitors to the city centre.
- Increased levels of sales activity and productivity in the city centre.

— LET'S CONTINUE
TO SHAPE OUR
CITY TOGETHER

What is a BID & BID Area?



The Lincoln BID district is

- A Business Improvement District (BID) which is a defined geographical area within Lincoln City where the businesses have voted to invest collectively to improve their trading environment.
- The lifetime of the BID is covered by National Regulations and is set at no more than five years.
- A not-for-profit company which is set up and run by the businesses in the area and is responsible for ensuring that the aims and objectives of the BID Proposal are delivered.
- The BID is about additionality. It does not replace local authority or police services but has to provide additional resource and activities to benefit the area.

Ballot timeline

Issue of final Lincoln BIG Business Plan for 2020-2025

Week commencing
Monday 2 September 2019

NOTICE OF BALLOT

Tuesday 24 September 2019

BALLOT PAPERS POSTED

Wednesday 9 October 2019

NAME OF PERSON NOMINATED TO VOTE IN THE ABSENCE OF ORIGINAL VOTER

By 5pm on Monday 28 October 2019

LOST BALLOT PAPERS POSTED

Thursday 31 October 2019

CANCELLATION OF PERSON NOMINATED TO VOTE IN THE ABSENCE OF ORIGINAL VOTER

By 5pm on Friday 1 November 2019

CLOSE OF BALLOT

5pm on Wednesday 6 November 2019

DECLARATION OF RESULT

6pm on Wednesday 6 November at
Home, Park Street

A photograph of the Lincoln Big sculpture, a large, abstract, metallic structure with two long, curved arms reaching upwards. The sculpture is set against a backdrop of a blue sky with white clouds. To the left of the sculpture is a large, green, weeping willow tree. In the background, the Lincoln Cathedral is visible, a large, red-brick building with a prominent triangular pediment. The foreground shows a body of water, likely the River Witham, with a black metal railing and a few people walking along the path. The text "LINCOLN BIG IS MAKING LINCOLN A GREAT PLACE TO VISIT BY SUPPORTING THE VISITOR ECONOMY" is overlaid in white, bold, sans-serif capital letters on the left side of the image.

LINCOLN BIG IS MAKING
LINCOLN A GREAT PLACE
TO VISIT BY SUPPORTING
THE VISITOR ECONOMY

Exit strategy

IF THERE IS A NO VOTE THE FOLLOWING SERVICES WOULD STOP BY JUNE 2020

Should the BID Ballot in November fail to gain majority support from businesses, we will wind up the activities of Lincoln BIG, based on contractual, staff and financial considerations – in that order. We will aim to do this in a way which will minimise disruption to our levy payers.

- We will continue our full range of services until December 2019.
- No new schemes will be developed and no renewals or new applications for car parking and bus deals will be accepted from November 2019.
- Park & Ride Service will be terminated in February 2020.
- In March 2020 our events programme will cease, and our car parking and bus deals terminated, websites will close and security group services cease, Evening Economy management programmes will be terminated, and our administration of trader group meetings cease, the Lincoln in Bloom will terminate and the Radio Link Scheme close down.
- Fashion Week, 1940s, Christmas events, Street food Festivals etc will not take place in 2020.
- Loyal Free App will cease in June 2020.
- June 2020 – Lincoln BIG will cease to operate, the City Centre Wardens will terminate and the Lincoln BIG office close.
- Any remaining assets of Lincoln BIG will be passed to another organisation at the discretion of the Lincoln BIG Board.
- The 2020 trail will be completed by September 2020 by negotiation with our Charity Partner.



BIG benefits

Access to advice

Through our network of contacts we can help steer you in the right direction on almost any subject affecting business in Lincoln city centre.

Bailgate Area Guild

We support the Guild to discuss matters of concern to independent retailers.

BIG Bus Deal

We offer a low cost inner and outer season ticket for Stagecoach services to and from Lincoln city centre.

Brayford Business Forum

We facilitate this quarterly Forum meeting to promote events and improving tourism and trade along the waterfront.

Business Support

We manage a range of business support activity including training and grants through our European funded project.

Buskers

We monitor the activity of buskers to ensure they comply with an agreed code of conduct.

Campaigns

We support campaigns within the city centre, for the benefit of local businesses.

Car Park Deal

We offer low cost part-time and full-time season permits in selected City of Lincoln Council car parks.

Christmas Trees

We provide Christmas trees for hire and provide low cost brackets.

City Celebrations

We manage events to celebrate the city's historical and current events.

City Spaces hire

We support organisations to book public space for an event or promotion.

City Talk

We provide a free e-newsletter to all levy payers.

Cornhill Quarter Traders

We support this meeting on a regular basis to discuss concerns, ideas and events within the area.

Cycle Racks and Pumps

We provide temporary cycle racks and pumps for the city.

Development of Trails

We develop and run trails to animate and attract visitors into the city centre.

Digital Screens

We manage a number of digital screens within the city centre for partners to advertise their events.

Electricity for events

We can provide pop-up units and a quiet running generator for business use.

Event Facilitation

We can help with road closure notices, safety plans for people wanting to hold events in the city centre.

Events and Displays

We hold an entertainment license for city spaces and can book an area for you.

Exclusion Scheme

We manage prolific offenders and excluded from all retail premises.

Free Security Group membership

We manage a secure website, business crime intelligence and quarterly meetings to help reduce crime.

Graffiti Removal

Our Wardens offer a free graffiti removal service from city centre buildings.

Healthy High Streets Group

We manage a regular meeting of businesses to discuss issues in and around the High Street.

Intervention Team

We work with City of Lincoln Council and Partners to ensure the city centre is free from beggars and the homeless.

Lincoln In Bloom

We subsidise summer hanging baskets, flags and Christmas trees as well as provide planters and barrier planters.

Lincoln Street Pastor Scheme

We actively support the Lincoln Street Pastors Scheme whose volunteers help vulnerable people at night.

Loyalty Free App

We offer a free loyalty app for levy paying businesses to use to encourage return customers.

Markets

We coordinate a range of markets for the city centre.

Marquees and Stall Logistics

We offer on loan of a range of gazebos, stalls and stands.

Park & Ride

We manage the service with Stagecoach East Midlands, Lincolnshire County Council and City of Lincoln Council to run from Waitrose to Lincoln Central Bus Station.

Pedlars

We monitor people with pedlar's certificates to ensure they adhere to the rules.

Publicity Support

Extra publicity opportunities for member news stores including City Talk free of charge.

Pubwatch Schemes

We administer Lincoln's two Pubwatch Schemes (Uphill and City Centre).

Radio Leasing Scheme

We manage and maintain a radio scheme which links with the Police and CCTV.

Sharps

We deliver for the city a free safe removal and disposal of sharps via our Warden service.

Street Banners

We have many locations around the city centre for banners to advertise events.

Tour Bus

We manage the Tour Lincoln open-top bus service.

Training Courses

We work with training partners to provide free statutory courses including Fire Safety, Health & Safety and First Aid.

Wardens

We have three wardens who patrol the city centre in uniform six days a week.



Inspiring events & displays



Varied market scene



A thriving night time economy

Loyalty Free app



BIG Bus Deal

Street wardens



In bloom

City celebrations



Getting involved

If you are interested in any of the projects or activities detailed in this Business Plan and you would like more detail or to get involved then please contact us.

Sarah Loftus, Chief Executive
sarahloftus@lincolnbig.co.uk

Sharon Stone, Office
& Corporate Projects Manager
sharon.stone@lincolnbig.co.uk

Richard Baxter, Operations Manager
richardbaxter@lincolnbig.co.uk

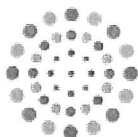
Marion Cooney, Security
& Evening Economy Manager
marion.cooney@lincolnbig.co.uk



T: 01522 545233 E: info@lincolnbig.co.uk

lincolnbig.co.uk

Lincoln BIG | 3-5 St Swithins Square | Lincoln | LN2 1HA



**Lincoln Business Improvement Group
Your BID Voter Nomination Form**

BID Ballot 2019

Important 2019 Dates:

- Ballot papers sent to eligible voters Wednesday 9 October
- Appointment by Proxy Monday 28 October by 5 pm
- Close of vote Wednesday 6 November by 5 pm
- Declaration of Result and AGM Wednesday 6 November after 6 pm at Home, Park Street

Please use this form to ensure that we have the correct details of the person eligible to vote in the forthcoming BID Ballot on behalf of your business.

Name of Company	City of Lincoln Council
Contact Address	
Contact Person	
Telephone Number	
Email	
<i>Relates to the following business premises in Lincoln if other than above:</i>	
Other Business Addresses	07060000 – Unison, Beaumont Manor, Beaumont Fee, Lincoln LN1 1UL 070690018 – 1 st & 2 nd Floors, Beaumont Manor, Beaumont Fee, Lincoln LN1 1UL 070690020 – Ground Floor, West Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 07069003 – 1 st Floor, East Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 07069005 – 2 nd Floor, East Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 070690010 – 3 rd Floor, East Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 070690013 – 3 rd Floor, East Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 070690017 – 5 th Floor, East Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 07069004 – 2 nd Floor, West Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 07069006 – 3 rd Floor, West Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 070690016 – 5 th Floor, West Wing, City Hall, Beaumont Fee, Lincoln LN1 1UH 070690019 – Car Park, Beaumont Fee, Lincoln LN1 1UH 11930000 – Greyfriars Museum, Broadgate, Lincoln LN2 5AQ 15340052 – Castle Hill, Lincoln, LN1 3AA 16225001 – Chaplin Street Car Park, Chaplin Street, Lincoln LN5 7EF 20400213 – Cornhill Kiosk, Cornhill, Lincoln LN5 7HE 20400221 – Kiosk 2, Cornhill, Lincoln LN5 7HE 23800010 – Danes Terrace Car Park, Danes Terrace, Lincoln LN2 1LP 36000636 – bs1, The Terrace, Grantham Street, Lincoln LN2 1BD

Please turn over

	<p>51760201 – Lucy Tower Street Car Park, Lucy Tower Street, Lincoln LN1 1XL</p> <p>54400004 – Lincoln Central Car Park, Melville Street, Lincoln LN5 7HW</p> <p>58360010 – Motherby Lane Car Park, Motherby Lane, Lincoln LN1 1EX</p> <p>60351003 – 1st Floor, West Office, Lincoln Central Bus Station, Norman Street, Lincoln LN5 7ES</p> <p>60351008 – Lincoln Central Bus Station, Norman Street, Lincoln LN5 7ES</p> <p>70260140 – Rosemary Lane, Lincoln LN2 5AT</p> <p>74730010 – Guildhall, Saltergate, Lincoln LN2 1DH</p> <p>74290030 – St Pauls Lane Car Park, Lincoln LN1 3AL</p> <p>74510050 – St Rumbold Street Multi-storey, St Rumbold Street, Lincoln LN1 2PW</p> <p>82230220 – Steep Hill, Lincoln LN2 1LT</p> <p>84870281 – Public Convenience, Tentercroft Street, Lincoln LN5 7BD</p> <p>84870280 – Tentercroft Street Car Park, Tentercroft Street, Lincoln LN5 7BD</p> <p>88170390 – The Lawn Car Park, Lincoln LN1 3BU</p> <p>89831000 – Victoria Street Car Park, West Parade, Lincoln LN1 1HU</p> <p>93770810 – Westgate 2 Car Park, Westgate, Lincoln LN1 3BG</p> <p>93770411 – Westgate 1 Car Park, Westgate, Lincoln LN1 3BG</p> <p>93770831 – Westgate Car Park, Westgate, Lincoln LN1 3BG</p>
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I can confirm that I am the levy payer entitled to vote in the forthcoming BID ballot in respect of the above hereditaments.

Signed:	
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Please return **no later than Thursday 16 September** to:

Sharon Stone, Office & Corporate Projects Manager
Lincoln Business Improvement Group
3-5 St Swithins Square, Lincoln LN2 1HA

or email sharon.stone@lincolnbig.co.uk

This information will be sent on to the Electoral Services Office at City of Lincoln Council. If you would prefer to contact them yourself, or check your voter details, please contact:

Julie Rouston, Electoral Services Officer
City of Lincoln Council
City Hall, Beaumont Fee, Lincoln LN1 1DE

Telephone: 01522 873374

Email: julie.rouston@lincoln.gov.uk

SUBJECT: STATEMENT OF ACCOUNTS 2018/19

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: COLLEEN WARREN, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 To present the Statement of Accounts for the financial year ended 31st March 2019, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

2. Executive Summary

- 2.1 The Statement of Accounts (SOA) for 2018/19 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 2018/19 with an audit opinion and certificate by no later than 31st July 2019. Due to a delay in the completion of the Audit the final Statement of Accounts will be presented for approval to Council on the 24th September 2019 and will be published by 30th September 2019.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2018/19 have been subject to external audit by the Councils external auditors Mazars, who are due to report on the audit conclusion, elsewhere on this agenda.
- 2.4 Following updated information on Pension judgements (McCloud/GMP Equalisation) changes have been made to the Statement of Accounts to adjust for the impact of the amended Actuary report. The impact of these judgements to the Council is £621,000 for the McCloud judgement and £294,000 for the GMP equalisation changes.
- 2.5 The Council must make the Statement of Accounts available for public inspection for 30 working days. Following notification from Mazars, this ran from 3rd June until 11th July 2019 and the External Auditor was available to answer questions during this period, at the time of this report no questions have been received.
- 2.6 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2018/19 was substantial (green) and is in line with our Code of Corporate Governance. However there is one defined significant issue, in respect of IT Disaster Recovery, this will be a focus for 2019/20 and will be regularly reported by management to the Audit Committee.

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 2019. The Accounts are then released to be audited by the Council's external auditor, Mazars. 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. Due to a delay in the completion of the Audit the final Statement of Accounts will be presented for approval to Council on the 24th September 2019. The timescales involved with the approval of the Statement of Accounts for 2018/19 are:

a) Report draft accounts to Audit Committee	13 th June 2019
b) Report to Audit Committee	17 th September 2019
c) Report to the Executive	23 rd September 2019
d) Approval by Council	24 th September 2019

3.2 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. To assist members in their understanding of the accounts:

- Training has been provided to members
- A short summary of the accounts has been produced at Appendix A
- The remainder of this report sets out a short summary highlighting the key figures in the financial statements.

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 £5.830m in the CIES to the outturn position of an decrease in General Fund Balances of £0.046m as reported in the Financial outturn report (Executive 28th May 2019).

	£m	£m
Net (surplus)/deficit on the Provision of Services		(4.739)
<i>Adjust for:</i>		
Depreciation, revaluation losses and gains & impairment of non-current assets	5.144	
Revenue expenditure funded from capital under Statute	(0.897)	
Direct Revenue financing of capital expenditure	4.744	
Gain/loss on the sale of non-current assets	0.559	
Contribution to/from the pensions reserve	(4.787)	
Debt repayment and premiums & discounts on debt	0.625	
Short-term compensated absences	0.01	
Contribution to Government's Housing Capital Receipts Pool	(0.76)	
Capital grants & contributions unapplied credited to CI&ES	1.183	
Adjustment for Collection Fund	0.746	
Transfer to/from the HRA	(0.002)	
Transfer to/from Earmarked reserves	(1.78)	
Total Adjustments		4.785
(Increase)/decrease in General Fund Balances		0.46

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 2018/19, in comparison to the revised budget for the year. As previously reported there was a projected overspend against the General Fund budget of £206k at quarter 3, this overspend has decreased and provisional outturn is now an overall budget shortfall of £46k.

4.1.3 The Housing Revenue Account has seen a minor underspend against the revised budget of £2k. Allowing for this adjustment HRA balances were £1.025m and the HRA Repairs Accounts balance was £579k as at 31st March 2019.

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 Executive and Performance Scrutiny Committee 28th May and 5th June 2019 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 2019 are:

- 4.2.2 **General Balances** – General balances have increased by £0.241m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	1.610	1.849	0.239
HRA balances	1.023	1.025	0.002
HRS	0.089	0.089	0
Total	2.722	2.963	0.241

- 4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have increased by £1.776m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	10.081	11.857	1.776

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2018/19 Provisional outturn to the Executive 28th May 2019 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 £41.08m exceed current liabilities of £34.4m by a ratio of 1.2:1, which represents a decrease from the previous year's ratio of 1.62:1. This is due to an increase in short term borrowing (as per the Council's borrowing strategy) and disposal of non-current assets held for sale.
- 4.2.5 **Debtors** – debtors have decreased by £0.462m to £9.779m. This is a minor change in debtors balances.
- 4.2.6 **Creditors** – have decreased slightly by £2.1m to £13.260m. This is mainly due to a Business Rates adjustment account, which absorbs the timing differences between statutory accounting requirements and full accruals accounting.

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 £39.3m (11%) to £399.8m between 31st March 2018 and 31st March 2019 (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 2018/19 have seen an **overall increase in value of £13m**, 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 £13m net upwards movements due to revaluation gains and losses in 2018/19, there were:

- **£3m of net revaluation gains** required to be charged to Cost of Services in the CIES. This is mainly due to reflecting the social housing value of housing stock (£1.45m).
- **£10m 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 (£9m) an increase in the council's land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £38.95m.** The main areas of expenditure include £24.985m spent improving Council dwellings including re-roofing, kitchens and landscaping, and the purchase of a number of new council houses. The other main areas of spend were £11.2m on purchasing investment properties. To pay for this investment, the Council has used £1m of capital grants and contributions, £8.2m of capital receipts, £13.1m of the Major Repairs Reserve, £11.6m of unsupported borrowing, and £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 2018/19 total depreciation was £8.06m** (of which £1.86m was charged for non-HRA dwellings and was replaced in the MiRS with £0.625m for the repayment of debt and £6.2m depreciation was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £3.872m in the Balance Sheet were disposed** of in 2018/19. This included the former allotment site on Riseholme Road and general fund land plus 48 Right to Buy sales of council dwellings.

4.3.3 Pensions (see Para 2.5 for additional information) – 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 £8.8m cost reflecting the retirement benefits earned during 2018/19 and to be funded in the future. This includes £5.5m current service costs, £1m past service costs and a net interest cost on the defined benefit obligations of £2.3m. 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 £4.787m.
- **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 2018/19 the net liability has increased by £14.832m to £100.690m.

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 £100.690m 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 2018 and 31st March 2019 the Council's total borrowing increased to £115.4m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31st March 2019).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £20m and long term borrowing of £95.4m.
- The average rate of interest payable on borrowing was 3.24% which is a slight decrease on 2017/18 (4.09%) and due to the new loans taken being at low levels of interest.
- The Comprehensive Income and Expenditure Statement for 2018/19 includes £3.3m interest payable on borrowing (excluding leases) of which £0.9m relates to the General Fund and £2.4m to the HRA.

The maturity profile of the outstanding borrowing as at 31st March 2019 is as follows:

Within	£m	% of Total Debt
1 year	20.200	17.51%
1 – 2 years	9.705	8.41%
2 – 5 years	5.645	4.89%
5 -10 years	7.076	6.13%
10 years and over	72.728	63.05%
Total	115.354	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 2019, total investments had increased by £13.6m

from £15.6m to £29.2m compared to the previous year end.

- Average investment balances during 2018/19 were £22.3m, compared to £25.3m in 2017/18.
- The average interest rate received on investments in 2018/19 was 0.77% (a small increase of 0.1% on the average rate achieved in 2017/18), which was 0.26% above the target 7 day LIBID rate.

5. Strategic Priorities

- 5.1 The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Vision 2020 and Strategic Priorities during the financial year 2018/19.
- 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 30th September 2019. 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 2019, however due to a delay in the audit of the accounts the final version of the Statement of Accounts will be published on the website by the 30th September 2019.

7. Risk Implications

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

8. Recommendation

- 8.1 Executive are invited to scrutinise the Statement of Accounts and make any comments to Full Council at the meeting on the 24th September 2019.

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 2018-2023
Financial Performance - Outturn 2018/19

Lead Officer: Colleen Warren, Financial Services Manager
Telephone 01522 873361

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SUMMARY ACCOUNTS 2018-19

The Council produces a full set of accounts in compliance with relevant standards. In order to present the most important information from the accounts in a more user-friendly, understandable format this summary of accounts has been produced. The full statement of accounts are made up of a number of key statements and the main ones are summarised below.

Income and Expenditure

This table outlines the cost of running council services over the year.

NET EXPENDITURE	£'000
Chief Executive	4,894
Housing & Regeneration	792
Local authority housing (HRA)	(7,611)
Communities & Environment	7,781
Major Developments	589
Corporate	(198)
Net Cost of Services	6,247
Add: Corporate Income	(7,225)
Less: Corporate Charges	10,721
Amount to be met from government grants and local taxation	9,743
FINANCED BY:	£'000
Central Government Grant	Nil
Council Tax	6,450
NNDR Business Rates	8,958
Surplus on Provision of Services	(5,665)
Statutory Adjustments	5,425
General Fund balance brought forward	(1,609)
General Fund Balance carried forward	(1,849)

The Council's total gross spend on services for the year was approximately £76.360M. Council Tax equated to 8.4% of all income received by the Council. The City Council received £6.45 million of Council Tax in 2018/19.

Balance Sheet

The Balance Sheet shows the current financial position of the Council at the end of the year. It shows the value of all assets and liabilities (what the council owes and is owed).

Here is a summary of the Balance Sheet as at 31 March 2019

Assets and Liabilities	£'000
Fixed Assets (Land & Buildings)	398,311
Stock (stores of materials)	88
Debtors (people who owe money to the Council)	10,813
Investments (value of money invested)	30,014
Cash at bank	(612)
Current Liabilities (council debts payable within 1 year)	(34,422)
Long-Term Liabilities (Debts payable after 1 year)	(198,691)
Assets held for sale	1,500
Total Net Assets	207,001
Financed By:	£'000
General Balances	1,849
Earmarked Reserves	23,784
Accounting Reserves	181,368
Total Reserves and Balances	207,001

At the end of the year the council had £0.798M worth of long term investments and £29.2m of long term investments. At the end of the year the council had £21.5m of short term borrowing and £95.4m of long term borrowing.

Cash Flow Statement

This table shows the flow of cash during the year:

CASH FLOW STATEMENT	£'000
Cash at 1 April 2018	876
Net Cash flow from operating activities	13,666
Net Cash flow from investing activities	(46,254)
Net cash flow from financing activities	31,100
Cash at 31 March 2019	(612)

Housing Revenue Account

It is a legal requirement that all income and expenditure on council houses is kept in a separate account called the Housing Revenue Account:

Number of properties

The Council owns 7,783 homes, consisting of the following types:

Low-Rise Flats	2,352
Medium Rise Flats	981
High Rise Flats	295
Houses/Bungalows	4,155
Total Council Dwellings	7,783

During the year 48 properties were sold under the Right to Buy scheme.

This table provides a summary of the Housing Revenue Account for 2018/19:

Income	£'000
Council house rents (gross)	(27,889)
Other Income	(526)
Expenditure	£'000
Repairs and maintenance	8,939
Supervision and management	6,583
Capital financing costs	4,799
Change in Social Housing Discount Factor	0
Corporate costs	3,273
(Surplus)/Deficit for year	(4,821)
Statutory Adjustments	(5,457)
HRA Balance bought forward	(1,021)
HRA balance carried forward	(1,025)

Capital Expenditure

Capital expenditure is the money spent by the Council on purchasing and upgrading or improving assets that will help achieve the Council's priorities over a number of years. Good examples are regeneration, building construction and IT upgrades.

In 2018/19 the Council's capital expenditure totalled £38.95 million.

Here is a breakdown of the capital expenditure for 2018/19:

	£'000
Works to the Housing Stock	7,453
Council House New Builds	17,506
Lincoln Transport Hub	547
Travel lodge	11,205
Allotments	462
Car Park Improvement	397
Other	1,384
Total Capital Spend	38,954

	£'000
General Fund Investment Programme	13,968
Housing Investment Programme	24,986
Total Capital Spend	38,954



STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019



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NARRATIVE REPORT

An introduction to the City of Lincoln's 2018/19 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 2018/19 and the financial position at 31 March 2019. The Accounts present expenditure and income incurred by the Council in the financial year 2018/19 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 2018/19 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 2019 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 Mazars 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 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).

Financial Summary 2018/19

In common with the rest of local government the Council has continued to face a large number of challenges during 2018/19 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. During 2018/19 the Council was part of a Government 'pilot' of 100% rates retention scheme.

- 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 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.

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

2018/19 has seen a significant level of delivery against these Vision 2020 priority areas, with £13m of investment in new Council Housing and £13m of investment in property assets.

In summary, services have continued to be provided, whilst achieving £0.293m savings in addition to those achieved in previous years; and the Council has delivered £38.95m of capital investment, a slight reduction on £39.805m in 2017/18. In addition, the Council's net worth has increased from £200.738m in 2017/18 to £206.074m in 2018/19, an increase of 2.7%.

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 2018/19 is provided below:

2017/18		2018/19
98.9%	Business Rates collected	99.8%
97.2%	Council Tax collected	96.8%
99.7%	Housing rent collected	99.2%
95.2%	Invoices paid within 30 days	97.8%
4.09%	Interest rate payable on debt	3.24%
0.68%	Interest rate received on investments	0.77%
33.7%	Waste recycled	34.9%
218,181	Users of Health & Recreation services	247,921
97.5%	Housing repairs completed to target	98.7%
80.1%	Occupancy of allotments	84.2%
98%	Premises compliant with food health and safety inspection	96%
1,022	Number of planning applications received	907

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 2018/19, the approved net expenditure budget for General Fund services was £13.988m. After allowing for planned contributions of £0.288m to non-earmarked general reserves the total Net General Fund Budget for 2018/19 was £14.276m.

The Net General Fund Budget of £14,276m assumed the achievement of £0.102m further savings which were to be delivered in 2018/19 as part of the Council's Towards Financial Sustainability Programme. The

Programme continues to be successful and has now delivered total savings of £3.823m. Work continues in developing and delivering new projects as part of the programme to secure the additional savings required in 2019/20 and future years.

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



	ACTUAL 2018/19 £'000	REVISED BUDGET 2018/19 £'000	VARIANCE 2018/19 £'000
Chief Executive and Town Clerk	4,018	3,847	171
Directorate of Housing & Regeneration	715	754	(39)
Directorate of Communities & Environment	5,433	4,380	1,053
Directorate of Major Developments	461	506	(45)
Corporate	1,650	1,645	(5)
Net Operational Expenditure	12,267	11,132	1,135
Specific Grants	(1,032)	(1,006)	(26)
Savings Target	0	(26)	26
Earmarked Reserves	1,406	1,728	(322)
Capital Accounting Adjustment	1,773	1,864	(91)
Contingencies	0	296	(296)
Total Expenditure	14,414	13,988	426
Contribution from General Balances	248	288	40
Total Net Budget	14,662	14,276	386
Business Rates -			
Retained Business Rates Income	(26,032)	(28,041)	2,009
Tariff	20,199	20,620	(421)
Section 31 grant	(1,974)	0	(1,974)
Levy Payment	0	0	0
Revenue Support Grant	0	0	0
Council Tax	(6,393)	(6,393)	0
Council Tax Surplus	(30)	(30)	0
NNDR Deficit	(432)	(432)	0
Total Resources	(14,662)	(14,276)	(386)

While total expenditure was £14.414m (£0.426m more than budget) this is primarily offset by £0.386m additional net business rate income (primarily from additional section 31 grants). As a result the actual contribution to general balances was £0.248m compared to the approved budget of £0.288m, resulting in a variance of £0.040m.

As at 31 March 2019, the Council held £8.527m General Fund revenue reserves, comprising £6.678m earmarked reserves (to cover specific or potential financial risks and liabilities) and £1.849m non-earmarked general reserves. This latter balance represents 13.2% of the 2018/19 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 2018/19, the approved net operating budget for the Housing Revenue Account was a deficit/surplus of £0.0m. Actual net expenditure for 2018/19 was £0.005m surplus, resulting in a £5k surplus 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 2018/19 £'000	REVISED BUDGET 2018/19 £'000	VARIANCE 2018/19 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,939	8,298	641
Supervision & Management	6,781	6,983	(202)
Provisions (including Bad Debt)	284	290	(6)
Capital Financing	4,799	10,709	(5,910)
Sub Total	20,803	26,281	(5,477)
<u>Add:</u>			
HRS – repatriation of surplus	(272)	0	(272)
Contribution to/(from) HRS (IAS19 & Insurance Fund)	387	0	387
Interest Payable & Similar Charges	2,352	2,352	0
Total Expenditure	23,270	28,633	(5,361)
 <u>Income</u>			
Rents & Service Charges	(28,415)	(28,150)	(265)
Interest	(68)	(31)	(37)
Net Expenditure	(5,212)	451	(5,663)
<u>Less:</u>			
Capital Accounting Adjustment	1,487	0	1,487
Appropriation to/(from) Major Repairs Reserves	4,506	0	4,506
Appropriation to/(from) Pension Fund Liability	(385)	0	(385)
Appropriations to/(from) Earmarked Reserves	(321)	(451)	130
Net HRA (Surplus)/Deficit	(5)	0	(5)

As at 31 March 2019, the Council held £2.348m HRA revenue reserves, comprising £1.321m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.027m non-earmarked general reserves.

Capital Expenditure

(Note 39)

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

The Council's capital spending in the year was £38.95m compared to the revised approved programme budget of £54.993m, representing an underspend of £16.040m against the profiled budget. The variance in 2018/19 is mostly due to the re-profiling of schemes within the general fund and housing programmes. The 2018/19 capital spending and funding position is summarised as follows:

	ACTUAL 2018/19 £'000	BUDGET 2018/19 £'000	VARIANCE 2018/19 £'000
Capital Expenditure			
General Fund	13,968	23,535	(9,567)
Housing Revenue	24,985	31,458	(6,473)
Total Expenditure	38,953	54,993	(16,040)
Financed by:			
Borrowing	11,642	20,468	(8,826)
Capital Receipts	8,185	12,207	(4,022)
Capital Grants and Contributions	1,011	1,649	(638)
Major Repairs Reserve	13,160	20,245	(7,085)
Revenue Contributions	4,956	424	4,532
Total Financing	38,954	54,993	(16,039)

Major Capital works carried out during 2018/19 are set out in the following table:

	£'000
Housing	
Decent Homes improvements to Council dwellings	6,378
Health & Safety	300
Council house new build schemes	15,275
Land Acquisition Fund	2,231
Other major works to housing stock	801
General Fund	
Lincoln Transport HUB	547
Purchase of Land and Buildings	11,206
Allotment Improvement Programme	462
Enhancements to corporate properties	772
Disabled Facilities Grants	695
Other Schemes	286
Total	38,953

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 2018/19 is provided below:

Capital Receipts (Note 9)

The Council received £2.359m of General Fund capital receipts in 2018/19 which will be used to support delivery of the General Fund Investment Programme.

The Council also received £2.072m 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 2019 was £115.354m.

Total Long Term Borrowing Outstanding

31/03/18 £'000	Source of loan	31/03/19 £'000
58,793	Public Works Loan Board	71,793
18,000	Market and Other Long Term Loans	43,000
561	Other (3% stock)	561
77,354	Total	115,354

Long-term borrowing of £20m and £18m of short term borrowing was taken during 2018/19. Short term borrowing of £3.75m was repaid during 2018/19. This represents a net increase of £34.25m of borrowing since 31 March 2018. The Council remains under borrowed by £4.435m (i.e. the Council's actual borrowing is £4.435m less than its borrowing requirement at 31 March 2019). 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 2019/20 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

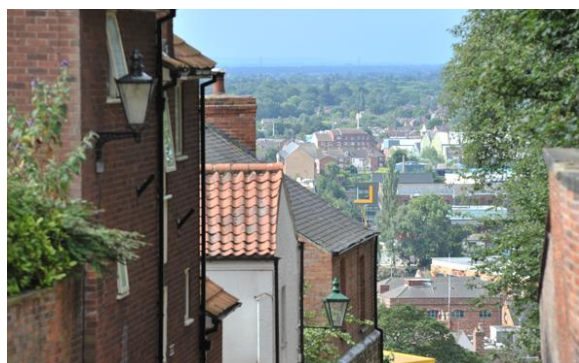
The Balance Sheet presents an increase in the estimated Pension Fund Reserve net liability over the 2018/19 year of £14.832m, up from £85.858m at 1 April 2018 to £100.690m at 31 March 2019. This increase in the Pension Fund deficit resulted mainly from changes in financial assumptions. This is recognised 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 £100.690m 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 2016, 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%. The next actuarial revaluation is due as at 31st March 2019.

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 currently due to come into effect in April 2020.

In addition the impact of Brexit and the consequent impact on the economic and political landscapes poses significant uncertainty for local government and the Council.

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 £7.8m, a significant reduction in comparison to the overall net expenditure budget. However further savings of £1.2m are still to be delivered in order to achieve the current target by 2020/21.

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. The programme itself has been refocused reflecting the Council's innovative, forward thinking and commercial approach alongside its ambitions to maintain high performing services and a performance culture. As part of this refocus there are now four agreed strands to achieve savings. These are:

- "One Council" – cross organisational lean reviews to deliver a "one organisational" approach more efficiently and effectively
- Commercialisation – generation of new income streams, and commercial trading opportunities
- Investment Opportunities – to invest in commercial properties as well as regeneration and redevelopment schemes that support the local economy
- Service Reduction/Withdrawal – withdraw from some services or reduce the level of service provided for those non priority 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.

A review of the current Business Plan is scheduled to commence during 2019/20.

Capital Expenditure

The Council's capital strategy plans to deliver projects to the value of £67.2m over the next five years, with £19.2m estimated to be spent in 2019/20. 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 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 MTFS.

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 its property investments 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 £1.267m 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.

J Gibson

J Gibson ACCA
Chief Finance Officer
(Section 151 Officer)

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.

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2018 to 31 March 2019 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on ****h ***** 2019?

S Burke

Councillor Sue Burke
Vice Chair of Council

Date: ****h ***** 2019?

THE STATEMENT OF RESPONSIBILITIES

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 2019 and its income and expenditure for the year ended on that date.

J Gibson

J Gibson ACCA
Chief Finance Officer
Date: 31st May 2019

MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'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 2017	2,313	10,663	1,085	10,679	9,398	399	34,537	155,190	189,727
Movement in reserves during 2017/18									
Surplus or (deficit) on provision of services	(4,889)	0	11,103	0	0	0	6,214	0	6,214
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	4,795	4,795
Total Comprehensive Expenditure and Income	(4,889)	0	11,103	0	0	0	6,214	4,795	11,009
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,476	0	(10,950)	639	(153)	(14)	(7,002)	7,002	0
Other adjustments	0	0	0	1,523	0	0	1,523	(1,523)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,413)	0	153	2,162	(153)	(14)	736	10,274	11,009
Transfers (to)/from Earmarked Reserves	710	(493)	(217)	0	0	0	0	0	0
Increase/Decrease in 2017/18	(703)	(493)	(64)	2,162	(153)	(14)	735	10,274	11,009
Balance at 31 March 2018 carried forward	1,610	10,170	1,021	12,841	9,245	385	35,272	165,464	200,736

MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'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 2018/19									
Surplus or (deficit) on provision of services	(83)	0	4,821	0	0	0	4,738	0	4,738
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	600	600
Total Comprehensive Expenditure and Income	(83)	0	4,821	0	0	0	4,738	600	5,338
Adjustments between accounting basis & funding basis under regulations (note 9)	2,418	0	(5,137)	(7,166)	(4,671)	179	(14,377)	14,377	0
Other adjustments	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,335	0	(316)	(7,166)	(4,671)	179	(9,639)	14,977	5,338
Transfers (to)/from Earmarked Reserves	(2,096)	1,776	320	0	0	0	0	0	0
Increase/Decrease in Year	239	1,776	4	(7,166)	(4,671)	179	(9,639)	14,977	5,338
Balance at 31 March 2019 carried forward	1,849	11,946	1,025	5,675	4,574	564	25,633	180,441	206,074

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19

2017/18			Note	2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
43,342	(37,544)	5,798		40,559	(34,045)	6,514
1,938	(928)	1,010		2,957	(2,165)	792
15,463	(28,640)	(13,177)		20,804	(28,415)	(7,611)
18,002	(9,290)	8,712		18,721	(10,941)	7,780
5,523	(178)	5,345		960	(371)	589
150	(419)	(270)		1,152	(423)	729
84,419	(77,001)	7,418		85,153	(76,360)	8,793
		348	Other Operating Expenditure			1,393
		3,000	Financing and Investment			2,699
			Income and Expenditure			
		(16,980)	Taxation and Non-Specific Grant			(17,624)
			Income			
		(6,214)	(Surplus) or Deficit on Provision of			(4,739)
			Services			
		(1,057)	(Surplus) or deficit on revaluation			(10,321)
			of non-current assets			
		0	Impairment Losses on Non-			0
			Current Assets charged to the			
			Revaluation Reserve			
		(58)	(Surplus) or deficit from			(325)
			investments in equity instruments			
			designated at fair value through			
			other comprehensive income			
		(3,682)	Total re-measurements on			10,045
			defined benefit obligation			
		(4,797)	Other Comprehensive Income			(601)
			and Expenditure			
		(11,011)	Total Comprehensive Income			(5,339)
			and Expenditure			

BALANCE SHEET AS AT 31 MARCH 2019

RESTATED 31 March 2018 £'000		Notes	31 March 2019 £'000
332,979	Property, Plant & Equipment	4,14,39,41	361,380
6,091	Heritage Assets	15	6,092
16,224	Investment Property	14,16	30,478
568	Intangible Assets	14,39	361
473	Long Term Investments	18,47	798
133	Long Term Debtors		1,035
356,468	Long Term Assets		400,144
4,575	Assets Held for Sale	22	1,500
15,616	Short Term Investments	18,47	29,216
220	Inventories	19	88
876	Cash at Bank	21	1
10,241	Short Term Debtors	18,20,47	9,778
31,528	Current Assets		40,583
0	Cash and Cash Equivalents	21	(613)
(5,135)	Short Term Borrowing	18	(21,476)
(15,364)	Short Term Creditors	18,23	(12,987)
(20,499)	Current Liabilities		(35,076)
(342)	Long Term Creditors	18	(105)
(3,205)	Provisions	24	(3,428)
(77,354)	Long Term Borrowing	18	(95,354)
(85,858)	Other Long Term Liabilities	4,44	(100,690)
(166,759)	Long Term Liabilities		(199,577)
200,738	Net Assets		206,074
35,274	Usable reserves	10	25,633
165,464	Unusable Reserves	26	180,441
200,738	Total Reserves		206,074

CASH FLOW STATEMENT

2017/18 £'000		Notes	2018/19 £'000
6,214	Net surplus or (deficit) on the provision of services		4,739
11,001	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	14,010
(7,673)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(5,613)
9,542	Net cash flows from Operating Activities		13,136
(15,660)	Investing Activities	30	(45,724)
6,753	Financing Activities	31	31,100
635	Net (increase) or decrease in cash and cash equivalents		(1,488)
241	Cash and cash equivalents at the beginning of the reporting period		876
876	Cash and cash equivalents at the end of the reporting period	21	(612)

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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 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 (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.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue 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. 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.

5. 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 non-current 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 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.

6. 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payment due under the statutory arrangements will not be made, the asset is written down and a charge made. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. 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 segment or, where applicable, to a corporate service segment for non-distributed costs 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 pension 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 Corporate Services
- 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.
- Re-measurements 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.

8. 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.

9. 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.

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. 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 financial assets held by the Council, 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.

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.

Expected Credit Loss Model

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

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

The Council has a number of loans to local organisations. It may not have reasonable and verifiable information to support the measurement of lifetime losses on individual loans without undue cost or effort to support the measurement of lifetime expected losses. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into four groups for assessing loss allowances:

- Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.
- Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.
- Group 3 – Money Market funds. Loss allowance will be assessed on market value of the investment in the fund.

Financial Assets measured at fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services

The fair value measurements of the financial assets are based on the following techniques:

- 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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.

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

Any 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.

10. 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.

11. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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

12. 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.

13. 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.

14. 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.

15. Joint Operations

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

16. 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, even if this doesn't match the pattern of payments.

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 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.

17. 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.

18. 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)
- Surplus Assets – the current value measurement base is fair value, estimated at the highest and best use from a market participants 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 and 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.

In relation to Council Dwellings, depreciation is based on the Existing Use Social Housing Value (EU-SHV) on the components, deemed to be land and buildings.

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.

19. 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 life 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.

20. Disposals and Non-Current Assets Held for Sale

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

The asset is 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.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from 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 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.

21. 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.

22. 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.

23. 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.

24. 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.

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

Note 2 – Accounting Standards Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) has introduced new and amended accounting standards as follows:

- Amendments to IAS40 – Investment Properties: Transfers of investment Property.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income tax Treatments.

- Amendments to IFRS 9 - Financial Instruments: Prepayment Features with Negative Compensation

These accounting changes which will be required from 1 April 2019.

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 Lincolnshire County Council, North Kesteven and West Lindsey District Council 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 Joint 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.
- **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.
- **Pensions** – there is inclusion in the Pension notes for impacts resulting from the recent age discrimination case known as the McCloud judgement. Following financial evaluation by Hymans Robertson the likely impact on the Local Government Pension Fund or individual authorities within the fund has been adjusted for within the accounts.

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 2019 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
Business Rates (Balance Sheet 31 March 2019 – Provision for Business Rate Appeals £3.286m)	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 2018/19 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 31 st March 2019. 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.	The Council's share (60%) of the balance of business rates appeals at 31 March 2019 amounted to £3.286m, an increase of £0.230m (7.5%) from the previous year. This is mainly due to being in a 'pilot' which increased the Council's share of appeals from 40% to 60%. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.329m.
Property, Plant and Equipment (PPE) (Balance Sheet 31 March 2019 – PPE £362m)	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.	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 £0.60m and for council dwellings £0.202m for every year that the useful lives had to be reduced.
Assets held for sale and investment properties (Balance Sheet 31 March 2019 - assets held for sale £1.5m - Investment properties £30.5m)	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.	A 1% reduction in the value of investment properties would result in a charge to the Comprehensive Income & Expenditure Statement of £0.32m; a 1% increase in value would result in the recognition of a gain of £0.32m in the Comprehensive Income & Expenditure Statement.

<p>Arrears</p> <p>Balance Sheet 31 March 2019 - Debtors total of £9.78m includes £4.798m debtors (subject to arrears)</p>	<p>As at 31 March 2018, the Council had a balance on current debtors of £4.798m. A review of significant balances suggested that an impairment of doubtful debts of £1.954m was required.</p>	<p>If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.23m to be set aside as an allowance.</p>
<p>Pension Liability</p> <p>(Balance Sheet 31 March 2019 - pensions liability £100.69m)</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, 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.</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 discount rate assumption would result in an increase in the pension liability of £23.785m.</p>
<p>Investments</p> <p>(Balance Sheet 31 March 2019 - Short term investments £29.2m - Long term investments £0.8m)</p>	<p>At 31 March 2018, the Council held £29.216m of short term investments. These comprise £19.206m invested in AAA-rated instant access Money Market Funds and £10.01m invested in A-rated UK banks, all for periods of up to 1 year.</p>	<p>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.</p>

Note 5 – Prior Period Adjustment

During 2018/19 a review of the Asset Register was undertaken which identified that an adjustment was needed to align the entries on the register with the financial system. There is no material impact on the net assets or total reserves of the council and restatement affects note 26 to the Accounts.

A transfer of balances between the Revaluation Reserve and the Capital Adjustment account of £1.541m was required. This has been reflected in a restated 2017/18 balance sheet and within notes 26a and 26b of the accounts.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority must present a balance sheet at the beginning of the preceding period when it makes a material retrospective restatement. As the identified errors affect only the 2017/18 comparative year, opening balances for unusable reserves have been restated for the earliest prior period presented, with the inclusion of a restated 2017/18 balance sheet. The table below shows the effect of the entries restated in the 2017/18 balance sheet:

	2017/18		
	Original	Restated	Restatement amount
	£'000	£'000	£'000
Revaluation Reserve	22,145	20,604	(1,541)
Capital Adjustment Account	228,813	230,354	1,541
Effect on Unusable Reserves			Nil

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 – Expenditure and Funding Analysis

31 March 2018

31 March 2019

Net		Adjustments	Net		Net		Adjustments	Net
Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Between the Funding and Accounting Basis	Expenditure in the Comprehensive Income and Expenditure Statement		Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Between the Funding and Accounting Basis	Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
3,464	967	1,367	5,798	Chief Executive's Directorate	6,166	519	(171)	6,514
736	0	274	1,010	Housing and Regeneration	296	0	496	792
(9,953)	0	(3,224)	(13,177)	Housing Revenue Account (HRA)	(2,997)	0	(4,614)	(7,611)
5,408	2	3,302	8,712	Communities and Environment	5,492	107	2,181	7,780
1,124	0	4,221	5,345	Major Developments	452	0	137	589
1,430	(803)	(896)	(269)	Corporate Services	43	818	(132)	729
2,209	166	5,044	7,419	Net Cost Of Services	9,452	1,444	(2,103)	8,793
(947)	(166)	(12,520)	(13,633)	Other Income and Expenditure	(11,471)	(1,444)	(616)	(13,531)
1,262	0	(7,476)	(6,214)	(Surplus) or Deficit on Provision of Services	(2,019)	0	(2,719)	(4,738)
GF		HRA	Total		GF		HRA	Total
(9,332)		(4,729)	(14,061)	Opening Balance	(7,947)		(4,854)	(12,801)
1,386		125	1,260	Less/ Plus Surplus or (Deficit) in Year	(2,337)		318	(2,019)
(7,947)		(4,854)	(12,801)	Closing Balance at 31 March	(10,284)		(4,536)	(14,820)

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.

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								
2017/18					2018/19			
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
330	1,009	28	1,367	Chief Executive's Directorate	(1,153)	992	(10)	(171)
2	262	10	274	Housing and Regeneration	187	307	2	496
(4,595)	1,381	(10)	(3,224)	Housing Revenue Account (HRA)	(5,878)	1,266	(2)	(4,614)
2,471	843	(12)	3,302	Communities and Environment	1,389	794	(2)	2,181
4,172	55	(6)	4,221	Major Developments	74	61	2	137
0	(896)	0	(896)	Corporate	0	(132)	0	(132)
2,380	2,654	10	5,044	Net Cost of Services	(5,381)	3,288	(10)	(2,103)
(12,286)	1,365	(1,599)	(12,520)	Other Income & Expenditure from the Funding Analysis	(1,369)	1,499	(746)	(616)
(9,906)	4,019	(1,589)	(7,476)	Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(6,750)	4,787	(756)	(2,719)

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2017/18	2018/19
	£'000s	£'000s
Chief Executive's Directorate	(4,759)	(4,787)
Housing & Regeneration	(588)	(896)
Housing Revenue Account (HRA)	(28,990)	(28,911)
Communities & Environment	(9,027)	(10,355)
Major Developments	0	(156)
Corporate	(11)	(0)
Total Income analysed on a Segmental Basis	(43,374)	(45,104)

Note 8 – Expenditure and Income Analysed by Nature

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

	2017/18	2018/19
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	23,026	24,528
Other Services Expenses	66,111	65,651
Support Service Recharges	3,054	2,672
Depreciation, Amortisation and Impairment	4,743	5,768
Interest Payments	9,569	9,144
Precepts and Levies	803	818
Payments to Housing Capital Receipts Pool	529	760
Gain/(loss) on Disposal of Assets	(985)	(560)
Total Expenditure	106,851	108,781
Income		
Fees, Charges and other Service Income	(59,631)	(61,920)
Interest and Investment Income	(3,493)	(3,679)
Income from Council Tax and Non-Domestic Rates	(10,283)	(15,409)
Government Grants and Contributions	(39,658)	(32,512)
Total Income	(113,065)	(113,520)
Surplus or Deficit on the Provision of Services	(6,214)	(4,739)

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.

2018/19	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)	3,521	1,266	0	0	0	4,787
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	(746)	0	0	0	0	(746)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(8)	(2)	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)	2,337	172	0	6,206	1,183	9,898
Total Adjustments to Revenue Resources	5,102	1,436	0	6,206	1,183	13,927
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,364)	(2,067)	4,431	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	760	0	(760)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(4,506)	0	(212)	0	(4,718)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(842)	0	(150)	0	0	(992)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(238)	0	(7)	0	0	(245)
Total Adjustments between Revenue and Capital Resources	(2,684)	(6,573)	3,514	(212)	0	(5,955)
Adjustments to Capital Resources						

2018/19	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
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(8,185)	0	0	(8,185)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(13,160)	0	(13,160)
Application of Capital grants to finance capital expenditure	0	0	0	0	(1,004)	(1,004)
Total Adjustments to Capital Resources	0	0	(8,185)	(13,160)	(1,004)	(22,349)
Total Adjustments	2,418	(5,137)	(4,671)	(7,166)	179	(14,377)

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)

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 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)

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 @ 31.03.17 £'000	Appropriations Transfers In £'000	Transfers Out £'000	Balance @ 31.03.18 £'000	Movements	Appropriations Transfers In £'000	Transfers Out £'000	Balance @31.03.19 £'000
General Fund								
Business Rates Volatility	709	450	(621)	539	0	917	0	1,456
Strategic Projects	1,371	0	(875)	496	0	0	(193)	303
Budget Carry Forwards	340	231	(133)	324	(46)	47	(130)	194
Grants & Contributions	363	483	(59)	787	0	850	(93)	1,545
Invest to Save (GF)	196	171	(53)	307	69	137	(86)	427
Mercury Abatement	346	91	(60)	378	0	94	(58)	414
Strategic Growth (GF)	424	100	(423)	100	0	0	(86)	14
Unused DRF	277	172	(352)	221	109	111	(238)	203
Backdated Rent Review	220	0	0	220	0	0	0	220
Funding for Strategic Priorities	121	0	(153)	28	(60)	1,337	(91)	1,214
IT Reserve	220	100	(39)	217	0	100	(317)	0
Revenues & Benefits Shared Service	134	50	(21)	163	0	45	(45)	163
Asset Improvement	90	0	(18)	72	0	0	(17)	55
Transport Hub Mitigation	124	0	(124)	0	0	0	0	0
Tree Risk Assessment	97	20	(11)	106	0	37	(35)	108
MA Reserve	52	0	0	51	0	0	(51)	0
Organisational Development	47	0	(39)	8	0	76	0	85
Mayoral Car	47	0	0	47	0	0	0	47
Yarborough Leisure Centre	2	0	0	2	0	0	0	2
Private Sector Stock Condition Survey	51	12	0	63	0	12	(30)	45
Property Searches	36	0	0	36	0	0	(32)	4
Managed Workspace	35	0	0	35	0	0	(35)	0
County Wide Broadband Initiative	34	0	(34)	0	0	0	(0)	0
Boston Audit Contract	14	0	0	14	0	0	0	14
Section 106 Interest	14	18	0	32	0	0	0	32
Christmas Decorations	17	0	0	17	0	0	0	17

	Balance @ 31.03.17 £'000	Appropriations Transfers In £'000	Transfers Out £'000	Balance @ 31.03.18 £'000	Movements	Appropriations Transfers In £'000	Transfers Out £'000	Balance @31.03.19 £'000
Electric Van Replacement	17	4	0	22	(16)	4	0	11
Christmas Market	25	0	(25)	0	0	0	0	0
Air Quality Initiatives	17	6	0	23	0	6	(18)	10
Commons Parking	14	13	0	27	0	6	(8)	25
Tank Memorial	10	0	0	10	0	0	0	10
Income Volatility Reserve	0	178	0	178	0	0	(178)	0
HRS Reserve	89	0	0	89	0	0	0	89
City Hall Sinking Fund	0	36	0	36	0	24	0	60
Total General Fund Earmarked Reserves	5,553	2,135	(3,040)	4,648	56	3,803	(1,741)	6,767
HRA								
HRA Strategic Growth	149	178	(150)	178	0	0	(153)	25
HRA Invest to Save	164	3	(26)	140	0	0	0	140
Capital Fees Equalisation	241	0	(3)	238	0	0	(56)	182
HRA Strategic Priority	240	0	0	240	0	0	0	240
De Wint Court	73	0	0	73	0	0	0	73
HRA Repairs Account	611	13	0	624	0	13	(58)	579
HRA Survey Works	54	3	0	57	0	3	0	60
Stock Retention	22	0	0	22	0	0	0	22
Total HRA Earmarked Reserves	1,554	197	(179)	1,572	0	16	(267)	1,321
Total Earmarked Reserves	7,107	2,332	(3,219)	6,220	56	3,819	(2,008)	8,088
Insurance Fund	3,558	468	(75)	3,950	0	139	(227)	3,862
Total Earmarked Reserves	10,665	2,800	(3,294)	10,170	56	3,958	(2,235)	11,950

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 2018/19 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:

2017/18 £'000		2018/19 £'000
3,557	Opening Balance	3,950
(82)	Funding of claims/losses	(227)
475	Contributions from revenue	139
3,950	Closing Balance	3,862

Note 11 – Other Operating Expenditure

2017/18 £'000		2018/19 £'000
803	Levies	818
529	Payments to the Government Housing Capital Receipts Pool	760
(985)	(Gains)/losses on the disposal of non-current assets	(185)
348	Total	1,393

Note 12 - Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
3,195	Interest payable and similar charges	3,302
2,245	Net interest on the net defined liability	2,337
(2,332)	(Surplus)/Deficit on Trading Operations	(2,769)
(108)	Interest Receivable and similar income	(171)
3,000	Total	2,699

Note 13 – Taxation and Non-Specific Grant Income

2017/18 £'000		2018/19 £'000
(6,176)	Council Tax income	(6,452)
(5,158)	Retained Business Rates income and expenditure	(8,958)
(2,644)	Non ring-fenced government grants	(1,031)
(3,002)	Capital grants and contributions	(1,183)
(16,980)	Total	(17,624)

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

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

Movements in 2018/19											
	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 2018	228,594	92,576	10,346	0	4,273	2,863	4,898	343,550	1,882	16,225	361,657
Additions	13,608	718	433	0	680	1,935	9,413	26,786	50	11,220	38,056
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	58	3,299	0	0	17	5,824	0	9,198	0	0	9,198
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,764)	(1,626)	0	0	(15)	0	0	(4,405)	0	1,620	(2,785)
De-recognition and disposals	(1,704)		(519)	0	0	0	0	(2,223)	0	(322)	(2,545)
Other movements in cost or valuation	11,618	(1,156)	420	0	0	1,200	(12,632)	(550)	0	1735	1,185
At 31 March 2019	249,411	93,811	10,680	0	4,955	11,822	1,678	372,357	1,932	30,478	404,767
Depreciation											
At 1 April 2018	(9)	(2,324)	(8,174)	0	(119)	(2)	0	(10,627)	(1,337)	0	(11,964)
Depreciation for year	(5,852)	(1,531)	(448)	0	0	(3)	0	(7,834)	(234)	0	(8,068)
Depreciation written out to the Revaluation Reserve	5	1,116	0	0	0	0	0	1,121	0	0	1,121

Movements in 2018/19											
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,800	0	0	0	0	0	0	5,800	0	0	5,800
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	43	0	519	0	0	0	0	562	0	0	562
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 2019	(13)	(2,739)	(8,102)	0	(119)	(5)	0	(10,979)	(1,571)	0	(12,550)
Net book value of assets at 31.03.19	249,399	91,072	2,578	0	4,836	11,817	1,678	361,378	360	30,478	392,217
Net book value of assets at 31.03.18	228,585	90,252	2,173	0	4,154	2,861	4,898	332,923	545	16,225	349,693
Owned	249,399	91,072	2,194	0	4,836	11,817	1,678	360,994	360	30,478	391,833
Finance lease	0	0	384	0	0	0	0	384	0	0	384

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	92,544	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
Movements in 2017/18											
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,258	0	0	0	0	0	0	10,258	0	0	10,258

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
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	7	0	7	0	0	7
De-recognition – disposals	116	0	0	0	0	0	0	116	0	0	116
De-recognition – other	0	0	16	0	0	0	0	16	686	0	702
Other movements in cost or valuation	0	28	0	0	0	(7)	0	21	0	0	21
At 31 March 2018	(10)	(2,304)	(8,138)	0	(119)	(5)	0	(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	569	16,225	349,772
Net book value of assets at 31.03.18	228,585	90,252	2,173	0	4,154	2,861	4,898	332,923	545	16,225	349,693
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
Owned	228,587	90,240	1,633	0	4,187	2,859	4,898	332,404	569	16,225	349,198
Finance lease	0	0	575	0	0	0	0	575	0	0	575

During 2018/19 the Asset Register and the ledger were aligned with minor restatements as above resulting in movements in the capital adjustment account (see note 26) which have been treated as in year transactions.

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 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

The table below shows the assets valued in each accounting period:

	Council Dwellings	Land & Buildings	Community Assets	Vehicles Plant & Equip.	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
Valuation at historical cost			4,836	2,578		1,678
Valued at current value as at:						
31/03/2019	249,399	51,709			10,784	
31/03/2018		19,007			907	
31/03/2017		16,799			0	
31/03/2016		2,687			126	
31/03/2015		12,687			0	
Total cost or valuation	249,399	102,889	4,836	2,578	11,817	1,678

Depreciation

Tangible 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	60 years for new properties 30 years for properties over 30 years old
Other Land & Buildings	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Offices	50 years
- 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 assets are amortised to service headings within cost of services as part of the Comprehensive Income and Expenditure Statement 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 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
Cost or Valuation					
At 1 April 2018	38	3,285	2,359	409	6,091
Additions					0
De-recognitions					0
Revaluations					0
At 31 March 2019	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
Memorials	
Dixon Street	War memorial
Birchwood Avenue	War memorial

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 current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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

2017/18		2018/19
£'000		£'000
1,012	Rental income from investment property	1,196
(180)	Direct operating expenses arising from investment property	(198)
(248)	Fair value gains/(losses) on investment properties	1,620
0	Gains/(losses) on disposal of investment properties	374
584	Net gain/(loss)	2,993

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:

2017/18		2018/19
£'000		£'000
8,519	Balance at 1 April	16,225
6,965	Additions	11,220
0	Disposals	(322)
(248)	Net gain/loss from Fair Value Adjustment	1,620
988	Transfers (to)/from Other Land and Buildings	1,735
16,224	Balance at 31 March	30,478

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 2019 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 £234k was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The Council has reclassified the following investments at 1 April 2018:

Investors in Lincoln – on 1 April 2018 the Council held shares at cost of £14,000 which have been designated as fair value through Other Comprehensive Income. The fair value of the shares, derived using IFRS13 Fair Value Measurement at 1 April 2018 was £271k. No dividends are received for these instruments.

Dunham Bridge – On 1 April 2018 the Council held shares at a fair value, based on market evidence, of £458k with the accumulated gains being held in the Available for Sale Reserve. The fair value of the shares, at 1 April 2018 remained unchanged. Dividends are received for these instruments. Upon reclassification to fair value through Other Comprehensive Income the accumulated gains were transferred from the Available for Sale Reserve to the Financial Instruments Revaluation Reserve (see note 26).

All investments classified as loans and receivables have been classified as Amortised Cost as they are all simple principal and interest investments with no impairment allowance or other cash flows associated with them. The investments are carried at the same value on the Balance Sheet and any transactional costs are charged directly to the Income and Expenditure Account as they are incurred.

Previous Classification	Balance c/f	Adj for IFRS9	Balance b/f
	31/3/18		1/4/18
			£000s
Financial Liabilities at amortised cost			
Long Term Borrowing	77,354		77,354
Short Term Borrowing	5,135		5,135
Long Term Creditors	(342)		(342)
Short Term Creditors	(8,567)		(8,567)
Total Financial Liabilities	73,580		73,580
Financial Assets at amortised cost			
Short Term Investments	15,615		15,615
Long Term Debtors	133		133
Short Term Debtors	7,304		7,304
Cash and Cash Equivalents	875		875
Available for Sale Financial Assets	472	(472)	
Long Term Investments		472	472
Total Financial Assets	24,399	0	24,399

*Fair Value through Other Comprehensive Income

IFRS9 Classification		
Amortised Cost	FVOCI*	Total IFRS9
£000s	£000s	£000s
77,354		77,354
5,135		5,135
(342)		(342)
(8,567)		(8,567)
73,580		73,580
15,615		15,615
133		133
7,304		7,304
875		875
	472	472
23,927	472	24,399

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

Fair Value of Equity Instruments designated at fair value through other comprehensive income include the following:

	31/03/2018	31/03/2019
	£000	£000
Non-listed securities	458	504
Total	458	504

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

31 March 2019

	Unquoted Shares	Other	Total
	£000	£000	£000
Opening Balance	271	0	271
Transfers into level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period			
- Included in Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	23	0	23
Additions	0	0	0
Disposals	0	0	0
Closing Balance	294	0	294

Movements in the value of assets carried at fair value categorised within level 3 of the hierarchy in 2017/18 are not shown as these were previously categorised as available for sale financial assets.

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

Summary of Financial Instruments		1/4/18	31/3/19
		£000s	£000s
Financial Liabilities at amortised cost			
Long Term Borrowing	Level 1	77,354	95,354
Short Term Borrowing	Level 1	5,135	21,475
Long Term Creditors	Level 1	(342)	(105)
Short Term Creditors	Level 1	(8,567)	(6,636)
Cash and Cash Equivalents	Level 1	0	(613)
Total Financial Liabilities		73,580	109,475
Financial Assets at amortised cost			
Short Term Investments	Level 1	15,615	29,216
Long Term Debtors	Level 1	133	1,035
Short Term Debtors	Level 1	7,304	9,770

Cash and Cash Equivalents	Level 1	875	0
Total Financial Assets		23,927	40,021
Financial Assets at FVOCI*			
Long Term Investments	Level 2/3**	472	798
Total Assets at FVOCI		472	798

*Fair Value through Other Comprehensive Income

** See table below for detail

There have been no transfer between levels in the hierarchy during 2018/19.

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 short term debtors/creditors 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:

2018/19	Financial Liabilities	Financial Assets	Total
	Amortised Cost	FVOCI	
	£000	£000	£000
Interest Expense	3,302		3,302
Interest Income		(147)	(171)
Surplus or deficit arising on revaluation of financial assets		(326)	(326)
Net (gain)/loss for the year	3,302	(147)	(350)

2017/18				
Interest Expense	3,195			3,195
Interest Income		(110)	(22)	(132)
Surplus or deficit arising on revaluation of financial assets		(58)		(58)
Net (gain)/loss for the year	3,195	(168)	(22)	3,005

Fair Value of Financial Assets

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy**	Valuation technique used to measure fair value	As at 31/3/19	As at 31/3/18 (using same techniques)
			£'000	£'000
Fair Value OCI /Available for Sale				
Equity shareholding in Dunham Bridge Company	Level 2	Average price obtained during the last three share sales	504	458
Equity shareholding in Investors in Lincoln	Level 3	Discounted cash flow *	294	271
Total			798	729

* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £293,881 has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and assuming future profit will remain the same as current year profit.

**See Glossary for a definition of Fair Value Input Levels

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost:

- 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

31/03/18			31/03/19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
59,956	71,653	PWLB Debt	72,959	85,814
16,175	26,345	Money Market Debt	16,175	26,771
565	561	Stock	565	565
5,762	5,900	Other	27,130	27,126
342	342	Lease Liabilities	105	105
82,800	104,801	Total Debt	116,934	140,381

The Council has £561,000 of listed debt. This stock has not been traded in recent years. Due to this debt being immaterial and the lack of market activity its fair value has been assessed to be its 'par' (or face) value inclusive of accrued interest at the year end.

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

31/03/18			31/03/19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
15,600	15,615	Money Market Investments <1 year	29,216	29,216
0	0	Money Market Investments >1 year	0	0
133	133	Long Term Debtors	1,035	1,035
15,733	15,748	Total Investments	30,251	30,251

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 investments held at amortised cost.

The fair value of Public Works Loan Board (PWLB) loans of £85.814m 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 £72.959m would be valued at £85.814m. 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 £98.670m.

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	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Balance outstanding at the start of the year	91	73	59	5	173	142	324	220
Purchases	14	24	0	0	0	0	14	24
Recognised as an expense in the year	(33)	(11)	(54)	(3)	(30)	(142)	(118)	(156)
Balance outstanding at the year-end	72	85	5	2	142	0	220	88

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:

31/03/18 £'000		31/03/19 £'000
1,518	Central Government Bodies	1,473
1,789	Other Local Authorities	2,044
1	NHS Bodies	1
10,696	Other Entities and Individuals	10,328
14,004	Total Short Term Debtors	13,846
(3,762)	Less Impairment Loss Allowance	(4,068)
10,242	Net Short Term Debtors as per Balance Sheet	9,778

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31/03/18		31/03/19
£'000		£'000
124	Less than three months	127
223	Three to six months	268
487	Six months to one year	606
4,909	More than one year	5,268
5,743	Total	6,269

Note 21 – Cash and Cash Equivalents

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

31/03/18		31/03/19
£'000		£'000
1	Cash held by the Council	1
875	Bank Current accounts	(613)
876		(612)

The overdrawn balance at 31/3/2019 shows the financial position which includes creditor payments awaiting clearance through the bank account.

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 sale of the remaining asset has been approved but was not completed as at 31st March 2019. The asset is included as Current Assets as at 31st March 2019.

Current		Current
2017/18		2018/19
£000		£000
2,525	Balance at start of the year	4,575
769	Additions	0
	Newly classified:	
1,543	- Property Plant & Equipment	15
1,531	Revaluation gain/(loss)	0
0	Transfers from AHFS	(1,200)
(1,794)	Disposals	(1,890)
4,575	Closing Balance	1,500

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:

31/03/18		31/03/19
£'000		£'000
(6,134)	Central Government Bodies	(1,137)
(246)	Other Local Authorities	(3,422)
(8,985)	Other Entities and Individuals	(8,428)
(15,365)	Total	(12,987)

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	Business Rates Appeals
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	(10)	(37)	(87)	(14)	(3,057)
Restatement of opening balances					(1,528)
Revised balance at 1 April 2018	(10)	(37)	(87)	(14)	(4,585)
Additional Provisions made in 2018/19	0	0	(4)	0	(766)
Amounts used in 2018/19	10	0	0	0	126
Unused Amounts Reversed in 2018/19	0	0	0	0	1,939
Unwinding of Discounting in 2018/19	0	0	0	0	0
Balance at 31 March 2019	0	(37)	(91)	(14)	(3,286)

The provision for business rate appeals represents the Council's share (40% of £7.641m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2019. 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.

There is a restatement of the opening balance on the business rate appeals of £1.528m to reflect pilot status.

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 31/03/18	Restated balance 31/03/18	Net Movement in Year	Balance 31/03/19	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000	£'000		
Revaluation Reserve	22,146	20,604	8,649	30,795	Store of gains on revaluation of assets	a) below
Pensions Reserve	(85,858)		(14,832)	(100,690)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	228,811	230,354	18,354	248,888	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	(58)		3	(55)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Available for Sale Financial Assets	458		(458)	0	No longer required	e) below
Financial Instruments Revaluation Reserve	0		784	784	Store of gains on revaluation of investments not yet realised through sales	e) below

Reserve	Balance 31/03/18	Restated balance 31/03/18	Net Movement in Year	Balance 31/03/19	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000	£'000		
Collection Fund Adjustment Account – Council Tax	45		27	72	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	297		719	1,016	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(435)		10	(425)	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
	165,463		14,979	180,442		

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.

RESTATED 2017/18 £'000		2018/19 £'000
(22,721)	Balance 1 April	(20,604)
(1,603)	Upward Revaluation of assets	(10,335)
545	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	14
<hr/> (1,058)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<hr/> (10,321)
410	Difference between fair value depreciation and historical cost depreciation	130
1,117	Accumulated gains on assets sold or scrapped	0
107	Amounts written out to the Capital Adjustment Account	0
1,541	Amounts written out to the Capital Adjustment Account Prior period adjustment	
<hr/> (20,604)	Balance 31 March	<hr/> (30,795)

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.

RESTATED 2017/18 £'000		2018/19 £'000
(219,271)	Balance 1 April	(230,354)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
12,207	Charges for depreciation and amortisation of non-current assets	8,064
0	Other movements of depreciation	76
(11,260)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(1,394)
248	Fair value movements on Investment Properties	(1,620)
4,612	Revenue expenditure funded from capital under statute	897
7	Assets under construction written off to revenue	0
3,098	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	3,872
68	Other adjustments	5
8,980		9,900
(518)	Adjusting amounts written out of the Revaluation Reserve	(131)
(1,541)	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
6,921	Net written out amount of the cost of non-current assets consumed in the year	9,769
	Capital Financing applied in year:	
(4,674)	Use of Capital Receipts to finance new capital expenditure	(8,192)
(150)	Use of Capital Receipts to reduce capital financing requirement	(150)
(9,184)	Use of the Major Repairs Reserve to finance new capital expenditure	(13,160)
(492)	Capital expenditure charged against the General Fund and HRA balances	(4,956)
(3,016)	Application of Capital Grants to finance new capital expenditure	(1,004)
(484)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(842)
(18,000)		(28,303)
(230,354)	Balance 31 March	(248,888)

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:

2017/18 £'000		2018/19 £'000
(57)	Balance 1 April	(57)
0	Council's share of (surplus)/deficit for the year	0
(57)	Balance 31 March	(57)

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.

2017/18 £'000		2018/19 £'000
60	Balance 1 April	58
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	(3)
58	Balance 31 March	55

e) Financial Instruments Revaluation Reserve and Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains and losses arising from movements in fair value of assets which were previously categorised as Available-for-Sale investments. During the year this account was closed and movements in the fair value of financial instruments was taken to the Financial Instruments Revaluation Reserve.

Available for Sale Financial Instruments Reserve

2017/18 £'000		2018/19 £'000
(400)	Balance 1 April	(458)
(58)	(Gain)/Loss on revaluations in year	0
0	Transfer to Financial Instruments Revaluation Reserve	458
(458)	Balance 31 March	0

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases on the value of its investments measured at Fair Value through Other Comprehensive Income. The balance is reduced when

investments with accumulated gains are either revalued downwards or impaired and the gains lost or disposed of and the gains are realised.

Financial Instruments Revaluation Reserve	2018/19 £'000
Balance 1 April	0
Transfer from Available for Sale Financial Instruments Reserve	(458)
(Gain)/Loss on FVOCI revaluations in year	(69)
Revaluations relating to previous years adjusted for in 18/19	(257)
Balance 31 March	(784)

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.

2017/18 £'000		2018/19 £'000
(52)	Balance 1 April	(45)
7	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	(27)
(45)	Balance 31 March	(72)

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.

2017/18 £'000		2018/19 £'000
1,309	Balance 1 April	(297)
(1,606)	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	(719)
(297)	Balance 31 March	(1,016)

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.

2017/18 £'000		2018/19 £'000
425	Balance 1 April	435
(425)	Settlement or cancellation of accrual made at the end of the preceding year	(435)
436	Amounts accrued at the end of the current year	425
	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		(10)
435	Balance 31 March	425

Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
156	Interest received	147
(3,118)	Interest paid	(3,121)

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

2017/18 £'000		2018/19 £'000
12,112	Depreciation	7,906
(9,895)	Impairment and downward valuations	(3,016)
96	Amortisation	234
0	Increase/(decrease) in impairment for bad debts	0
294	Increase/(decrease) in creditors	(309)
1,499	(Increase)/decrease in debtors	182
104	(Increase)/decrease in inventories	132
4,019	Movement in pension liability	4,786
3,098	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,872
(326)	Other non-cash items charged to the net surplus or deficit on the provision of services	223
11,001		14,010

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

2017/18 £'000		2018/19 £'000
(4,671)	Proceeds from sale of PPE, investment property and intangible assets	(4,430)
(3,002)	Any other items for which the cash effects are investing or financing cash flows	(1,183)
<u>(7,673)</u>		<u>(5,613)</u>

Note 30 – Cash Flow Statement - Investing Activities

2017/18 £'000		2018/19 £'000
(34,866)	Purchase of property, plant and equipment, investment property and intangible assets	(37,673)
(15,600)	Purchase of short-term and long-term investments	(29,200)
0	Other payments for investing activities	(902)
4,671	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,430
20,760	Proceeds from short-term and long-term investments	15,600
9,375	Other receipts from investing activities	2,021
<u>(15,660)</u>	Net cash flows from investing activities	<u>(45,724)</u>

Note 31 – Cash Flow Statement - Financing Activities

2017/18 £'000		2018/19 £'000
(506)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(234)
5,750	Cash receipts of short & long-term borrowing	38,000
0	Other receipts from financing activities	5
0	Repayments of short- and long-term borrowing	(3,750)
1,509	Other payments for financing activities	(2,921)
<u>6,753</u>	Net cash flows from financing activities	<u>31,100</u>

Reconciliation of liabilities arising from financing activities

2018/19	01/04/2018	Financing Cash Flows		Non Cash movements	31/03/2019
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	77,354	20,000		-2000	95,354
Short Term Borrowing	5,135	18,000	-3,750	2091	21,476
Lease liabilities	558		-234		324
Total Liabilities from financing activities	83,047	38,000	-3,984	91	117,154

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.

2017/18				2018/19		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
171	(251)	(79)	Markets	170	(234)	(64)
1,581	(3,852)	(2,271)	Car Parks	1,937	(5,054)	(3,117)
1,752	(4,103)	(2,350)	(Surplus)/Deficit applicable to a service	2,107	(5,289)	(3,182)
7,218	(6,969)	249	HRS	7,527	(7,412)	116
110	(112)	(2)	City Bus Station	271	(164)	107
96	(402)	(307)	Industrial Estates	53	(1,535)	(1,482)
85	(2,356)	(2,271)	Lincoln Properties	145	(1,655)	(1,511)
7,509	(9,839)	(2,331)	(Surplus)/Deficit not applicable to a service	7,997	(10,766)	(2,769)
9,261	(13,492)	(4,861)	Total (Surplus)/Deficit	10,104	(16,055)	(5,951)

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 2018/19 totalled £237,618 (£227,047 in 2017/18).

Payments are defined as:

- i. Basic Allowance
- ii. Special Responsibility Allowance
- iii. Other allowances

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

2018/19						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	120,268	0	629	0	19,243	140,140
Strategic Director of Housing & Regeneration ²	11,125	0	80	0	1,780	12,985
Strategic Director of Housing & Regeneration ³	40,618	0	111	0	6,499	47,228
Strategic Director of Communities & Environment	86,279	0	156	0	13,781	100,216
Strategic Director of Major Developments	85,288	0	0	0	13,646	98,934
Total	343,577	0	976	0	54,948	399,503

- 1) The salary costs for the Chief Executive include £2.9k relating to election expenses in 2018/19.
- 2) The salary costs for the Director of Housing & Regeneration include two post holders throughout the course of the year. Director 1: 01/04/2018 - 14/05/2018
- 3) The salary costs for the Director of Housing & Regeneration include two post holders throughout the course of the year. Director 2: 15/10/2018 - 31/03/2019

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	80,957	0	348	0	12,893	94,198
Strategic Director of Major Developments	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 included £5.8k relating to election expenses in 2017/18.

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	
£	2018/19	2017/18
50,000 - 54,999	4	5
55,000 - 59,999	0	2
60,000 - 64,999	4	3
65,000 - 69,999	2	1
70,000 - 74,999	2	1
75,000 - 79,999	0	0
80,000 - 84,999	0	0

For employees receiving remuneration of £85,000 or more for the year see previous table 'Officers' Emoluments – Senior Employees'.

The figure above for 2018/19 includes no employees for whom an exit package was agreed.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£	£
£0 - £20,000	2	1	1	3	3	4	11,392	49,546
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	1	0	0	0	1	0	71,366	0
£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							82,758	49,546
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							82,758	49,546

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

Note 36 – External Audit Costs

In 2018/19 the following fees relating to External Audit and Inspection were incurred and paid to Mazars (KPMG LLP in 2017/18), the Council's external auditors:

2017/18 £'000		2018/19 £'000
	Fees payable for statutory audit services	
47	Fees Payable with regard to external audit services carried out by the appointed auditor	36
11	Fees payable for the certification of grant claims and returns	14
58		50
	Fees payable for other audit services	
3	Fees payable with regard to other audit work	5
61	Total fee payable to external auditors	55

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2018/19 is an estimate, as the work will be carried out in the period August to December 2019.

Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

Credited to Taxation and Non Specific Grant Income		
2017/18 £'000		2018/19 £'000
(981)	Revenue Support Grant	0
(1,655)	New Homes Bonus	(1,006)
(8)	Transparency Code Setup Grant	(8)
0	Brexit	(17)
(2,644)	Total Non Ring-fenced Grants shown on CIES	(1,031)
(670)	Disabled Facilities Grants	(777)
(263)	Section 106 agreement	0
(68)	North Kesteven District Council	0
(226)	Heritage Lottery Fund	(47)
(63)	Decent Homes Contract – Profit Share	0
(1,423)	Lincolnshire County Council	0
(110)	Leaseholder Contributions	(82)
(117)	Waterloo Housing	0
0	National Rail	(225)
(61)	Other Capital Grants and Contributions	(52)
(3,002)	Total Capital Grants and Contributions shown on CIES	(1,183)
(1,051)	S31 Grants included in Non Domestic Rates Income on CIES	(1,917)
(6,697)	Total Non Ringfenced Grants included in CIES	(4,132)
2017/18 £'000	Credited to Services	2018/19 £'000
(15,720)	Rent Allowances	(13,923)
(15,597)	Rent Rebates	(13,916)
(223)	Discretionary Housing Payments	(172)
(437)	Housing Benefit Administration	(391)
(147)	New Burdens Grant Determination	(213)
(221)	DCLG – Rogue Landlords	(313)
(10)	English Heritage	0
(152)	Local Council Tax Support Admin Subsidy	(143)
(106)	Home Office	(66)
(7)	Arts Council	0
(173)	Homeless Specific	(780)
0	Controlling Migration	(143)
(39)	Other Grants	(229)
(32,832)	Total Grants and Contributions credited to Services	(30,290)
(39,529)	Total Grants, Contributions and Donated Assets	(34,421)

There were no grants received in advance in 2018/19.

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 2018/19 the Council sent a letter, dated 1 April 2019, 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	Cllr Hewson Cllr Vaughan	Chief Executive
Witham First – Drainage Board	Cllr Hewson Cllr Vaughan	Chief Executive
Witham Third – Drainage Board	Cllr Hewson Cllr Vaughan	Chief Executive
Lincoln Arts Trust	Cllr Murray	Director of Communities & Environment
Lincoln Dial-a-Ride/ Shopmobility	Cllr Clayton-Hewson	Chief Executive
Lincoln Citizens Advice Bureau	Cllr Brothwell	Chief Executive
Investors in Lincoln	Cllr Metcalfe Cllr Murray	Chief Executive
Lincoln Business Improvement Group	Cllr Metcalfe Cllr Nannestad	Chief Executive
Central Lincolnshire Joint Strategic Planning Partnership	Cllr Metcalfe Cllr Burke Cllr Hanrahan	Director of Communities & Environment
The Shared Revenues & Benefits Joint Committee	Cllr Metcalfe Cllr 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 2018/19 were as follows:

2017/18 £'000		2018/19 £'000
424	Upper Witham Drainage Board	433
129	Witham 1 st Drainage Board	129
250	Witham 3 rd Drainage Board	256
803	Total	818

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

2017/18 £'000		2018/19 £'000
231	Lincoln Arts Trust	217
52	Lincoln Dial-a-Ride	52
55	Citizens Advice Bureau	56
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 2018, showing net assets of £3.789m and a profit of £25,251 before taxation, £22,032 profit after tax (£168,204 before tax and £124,599 profit after tax in 2016/17).

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 2018/19 a surplus on the managed workspace units of £18,116 was attributable to the Council.

Details of amounts received from ILL during 2018/19 are shown below:

2017/18 £'000		2018/19 £'000
133	Property Management costs	129
90	Facility Fee	90
5	Management Fee	5

An amount of £9,308 was owed to ILL at 31st March 2019 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, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

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:

2017/18 £'000		2018/19 £'000
	Capital investment	
35,038	Property, Plant and Equipment	38,007
155	Intangible Assets	50
4,612	Revenue Expenditure Funded from Capital under Statute	897
39,805		38,954
2017/18 £'000	Sources of finance	2018/19 £'000
(4,674)	Capital Receipts	(8,192)
(3,016)	Government grants and other contributions	(1,004)
(486)	Revenue Contributions	(4,956)
(9,190)	Major Repairs Reserve	(13,160)
22,439	Capital Financing Requirement	11,642
	Capital Financing Requirement - Funded by:	
22,439	Unsupported Borrowing	11,642
22,439		11,642

Analysis of movements in the Capital Financing Requirement in Year:

88,676	Opening CFR	109,480
22,439	Unsupported borrowing	11,642
0	Adjustments in respect of leases disposed under finance lease	0
(485)	Minimum Revenue Provision/Voluntary Revenue Provision	(842)
(150)	Application of capital receipts to reduce CFR	(150)
(1,000)	Return of LAMS deposit	0
109,480	Closing CFR	120,130

The Council has a five-year Housing Investment programme, of which £6.205m 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 £8.872m is contractually committed. £6.898m relates to a land and property acquisition in 2019/20 with the remainder to allow completion of the schemes for Artificial Grass Pitches (£1.629m), Allotment Capital Improvement Programme (£0.102m), Retention on a land and property acquisition (£0.168), Car Park Ticket Machines (£0.075m).

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:

31/03/18		31/03/19
£'000		£'000
575	Vehicles, Plant and Equipment	384
575		384

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:

31/03/18		31/03/19
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
217	Current	237
342	Non-current	105
66	Finance costs payable in future years	24
625	Minimum lease payments	366

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
Not later than one year	258	258	217	237
Later than one year and not later than five years	366	108	342	105
Later than five years	0	0	0	0
	624	366	559	342

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:

31/03/18		31/03/19
£'000		£'000
8	Not later than one year	0
0	Later than one year and not later than five years	0
0	Later than five years	0
8		0

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

2017/18		2018/19
£'000		£'000
0	Vehicles Plant & Equipment	0
74	Land and Buildings	8
74	Minimum lease payments	8

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 2018/19.

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:

2017/18		2018/19
£'000		£'000
893	Not later than one year	2,286
791	Later than one year and not later than five years	4,573
2,581	Later than five years	19,728
4,265		26,587

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 2018/19, £0.335m contingent rents were received by the Council (2017/18 £0.593m).

Note 41 – Impairment Losses

There were no impairment losses during 2018/19

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 2018/19, incurring liabilities of £0.050m (£0.082m in 2017/18) – 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 pension's 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.

Update on the McCloud Judgement

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of these benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Lincolnshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the City of Lincoln Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.26% higher as at 31 March 2019, an increase of approximately £621,000.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

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:

2017/18 £'000		2018/19 £'000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Net Cost of Services:	
5,493	Current Service Cost	5,497
0	Past Service Costs (including curtailments)	968
	Financing and Investment Income and Expenditure:	
2,245	Net Interest Expense	2,337
7,738	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	8,802
2017/18 £'000		2018/19 £'000
	Re-measurement of the net defined benefit liability comprising:	
392	Return on plan assets (excluding the amount included in the net interest expense)	(7,155)
0	Actuarial gains and losses arising on changes in demographic assumptions	0
(3,956)	Actuarial gains and losses arising on changes in financial assumptions	17,138
(118)	Other	62
(3,682)	Total re-measurements recognised in Other Comprehensive Income and Expenditure	10,045
4,056	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	18,847

2017/18
£'000

2018/19
£'000

Movement in Reserves Statement

7,738	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	8,802
(3,719)	Actual amount charged against the General Fund Balance for pensions in the year:	(4,015)

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:

2017/18 £'000		2018/19 £'000
(216,659)	Present value of the defined obligations	(240,313)
130,801	Fair value of plan assets	139,623
(85,858)	Net liability arising from defined benefit obligation	(100,690)

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

2017/18 £'000		2018/19 £'000
129,646	Opening fair value of scheme assets	130,801
3,345	Interest Income	3,505
(392)	The return on plan assets, excluding the amount included in the net interest expense	7,155
3,719	Contributions from employer	4,015
876	Contributions from employees into the scheme	902
(6,393)	Benefits Paid	(6,755)
130,801	Closing Fair value of scheme assets	139,623

Reconciliation of Present Value of the scheme liabilities:

2017/18 £'000		2018/19 £'000
215,167	Opening balance at 1 April	216,659
5,493	Current Service Cost	5,497
5,590	Interest Cost	5,842
876	Contributions from scheme participants	902
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	0
(3,956)	Actuarial gains/losses arising from changes in financial assumptions	17,138
(118)	Other	62
0	Past Service Cost	968
(6,393)	Benefits Paid	(6,755)
216,659	Closing Balance at 31 March	240,313

Local Government Pension Scheme assets comprised:

2017/18 £'000		2018/19 £'000
1,600	Cash and Cash Equivalents	1,539
	Equity Securities by industry type:	
9,609	Consumer	15,746
7,437	Manufacturing	5,684
3,627	Energy and utilities	3,183
8,995	Financial Institutions	8,283
10,175	Information Technology	6,186
5,565	Health and Care	9,403
0	Other	0
45,407	Sub-total equity	48,485
	Debt Securities by Sector	
0	Corporate	0
0	Government	0
0	Other	0
0	Sub-total bonds	0
	Real Estate	
11,085	UK Property	11,165
976	Overseas Property	878
12,061	Sub-Total property	12,043
	Private Equity:	
2,118	All	1,465
2,118	Sub-Total private equity	1,465
	Investment Funds and Unit Trusts	
36,292	Equities	38,540
1,906	Infrastructure	2,637
15,462	Bonds	16,802
15,956	Other	18,112
69,616	Sub-Total Investment Funds and Unit Trusts	76,091
130,801	Total assets	139,623

Cash, Equity Securities and Investment Funds and Unit Trusts assets have quoted prices in active markets. The remaining assets, Real Estate and Private Equity do not have quoted prices in active markets.

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:

2017/18		2018/19
	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	2.9%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%

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.

	<u>Approximate %</u> <u>Increase</u> <u>to Employer</u> <u>Liability</u>	<u>Value</u> <u>£'000</u>
0.5% Decrease in Real Discount Rate	10%	23,785
0.5% Increase in the salary increase rate	1%	3,369
0.5% Increase in the pension increase rate	8%	20,016

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 2019/20 are estimated to be £3.947m. The weighted average duration of the defined benefit obligation for scheme members is 17.2 years, 2018/19 (17.2 years 2017/18).

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 five contingent liabilities as at 31 March 2019.

As at 31st March 2019 there is an outstanding dilapidations dispute with a landlord following termination of the Council's head lease. The Council has not accepted the claim and it has been assessed that any valid claim would not be material.

As with other councils across the country a potential VAT liability exists in relation to an HMRC review of VAT treatment of market fees and the Council is liaising with their VAT advisor on this matter.

The Council has identified potential remediation liabilities within its property portfolio, the details of which require further clarification.

Note 46 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2019.

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 25th February 2019. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website (www.lincoln.gov.uk). The key issues during 2018/19 were:

- The Authorised Limit for 2018/19 was forecast to be £134m. This is the maximum limit of external borrowings or other long term liabilities during the year.
- The original Operational Boundary was expected to be £126.4m. 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 £96.5m and £30m 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. Link uses credit ratings, support ratings and credit default swap prices to arrive at a 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 2018/19 was approved by full Council on 1st March 2018.

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 31/03/19 £'000 a	Historical experience of default** % b	Adjustment for market conditions at 31/03/19 % c	Estimated maximum exposure to default £'000 (a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	19,207	0.0001%	0.0001%	0
• AA* rated counterparties (investments up to 1 year)	0	0.0006%	0.0006%	0
• A* rated counterparties (investments up to 1 year)	5,000	0.0066%	0.0066%	0
• A+* rated counterparties (investments up to 1 year)	5,009	0.0137%	0.0137%	1
Other Investments	0	0.014%	0.014%	0
Debtors	9,770	7.17%	7.17%	701
	38,986			702

*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

		Short term		Long term	
	Principal invested	Fixed rate	Variable rate	Fixed rate	Variable rate
	£'000	£'000	£'000	£'000	£'000
<u>UK Banks & Building Societies</u>					
Lloyds TSB Bank plc	5,000	5,000	0	0	0
Sumitomo	5,000	5,000	0	0	0
<u>UK Money Market Funds</u>					
Aberdeen Standard MMF	5,000	0	5,000	0	0
BNP Paribas MMF	500	0	500	0	0
Federated MMF	5,000	0	5,000	0	0
Black Rock MMF	5,000	0	5,000	0	0
Morgan Stanley MMF	3,700	0	3,700	0	0
Total Investments	29,200	10,000	19,200	0	0

The Council allows credit for its trade debtors, such that £1,259,485 of the £1,950,737 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/18 £'000		31/03/19 £'000
491	Less than three months	301
397	Three to six months	192
101	Six months to one year	90
567	More than one year	676
1,556	Total	1,259

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: -

31/03/18 £'000		31/03/19 £'000	
13,671	Less than one year	21,475	
2,000	Between one and two years	9,500	
5,000	Between two and five years	5,897	
70,354	More than five years	79,957	
91,025	Total	116,829	

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:

2017/18		2018/19
£'000		£'000
(142)	Increase in interest receivable on variable rate investments	(137)
(142)	Impact on Income and Expenditure Account	(137)
(60)	Share of overall impact credited to the HRA	(65)
(82)	Share of overall impact credited to the General Fund	(72)
(142)	Total	(137)

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 £0.73m 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 (£0.458m) and Investors in Lincoln (£0.271m). 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 held at Fair Value through Other Comprehensive Income, 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 2019

2017/18		Notes	2018/19	2018/19
£'000			£'000	£'000
	Expenditure			
(8,465)	Repairs and Maintenance	5	(8,939)	
(6,123)	Supervision and Management		(6,583)	
(134)	Rents, rates, taxes and other charges		(198)	
(454)	Depreciation, impairment and other adjustments for non-current assets		(4,799)	
0	Debt management costs		0	
0	Change in Social Housing Discount Factor		0	
(286)	Movement in the allowance for bad debts		(284)	
(15,462)	Total Expenditure			(20,803)
	Income			
27,503	Dwelling rents	8	27,286	
619	Non-dwelling rents		603	
518	Charges for services and facilities		526	
28,640	Total Income			28,415
13,178	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			7,612
(249)	Transfer from HRS			(116)
12,929	Net Cost for HRA Services			7,496
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
746	Gain or (loss) on the sale of HRA assets			406
(2,352)	Interest payable and similar charges			(2,352)
39	Interest and investment income			68
(879)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9		(879)
621	Capital grants and contributions receivable			82
11,104	Surplus or (deficit) for the year on HRA services			4,821

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2017/18 £'000		2018/19 £'000
1,087	Balance on the HRA at the end of the previous year	1,021
11,104	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	4,821
(10,952)	Adjustments between accounting basis and funding basis under statute	(5,137)
152	Net increase or (decrease) before transfers to or from reserves	316
(217)	Transfers (to) or from reserves	(320)
(65)	Increase or (decrease) in year on the HRA	4
1,021	Balance on the HRA at the end of the current year	1,025

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2019, totalled 7,783 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	897	559	536	2,035
2 Bed	5	117	80	102	304
3 Bed	0	0	12	1	13
Sub-Total	48	1,014	651	639	2,352
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	235	214	499
2 Bed	0	225	111	127	463
3 Bed	0	15	3	1	19
Sub-Total	0	290	349	342	981
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	23	357
2 Bed	733	772	98	321	1,924
3 Bed	811	549	71	296	1,727
4 or more Beds	98	21	0	28	147
Sub-Total	1,800	1,486	201	668	4,155
Total Dwellings 31 March 2019	1,848	2,875	1,411	1,649	7,783

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 2019	592,766
Balance sheet valuation applying the Social Housing discount factor	248,962

The Balance Sheet value of HRA Assets is as follows:

2017/18 £'000		2018/19 £'000
228,203	Council Dwellings	248,962
4,376	Other Operational Assets	5,774
12,603	Non-Operational Assets	16,663
245,182	Total at 31 March	271,399

Note 3 – Depreciation and Impairment

The Depreciation and Impairment of HRA Assets is as follows:

Depreciation:		2018/19
2017/18 £'000	Operational Assets:	£'000
10,361	Council Dwellings	5,842
352	Other Operational Assets	364
10,713	Total at 31 March	6,206

Impairment:		2018/19
2017/18 £'000	Operational Assets:	£'000
141	Revaluation Gains/(Losses)	3,665
141	Total at 31 March	3,665

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.

2017/18 £'000		2018/19 £'000
(10,680)	Balance on 1 April	(12,842)
	Amount transferred from the HRA	
	- Depreciation	
(10,713)	Dwellings	(5,842)
625	Other Assets	(364)
(1,264)	- Other revenue contributions	0
(22,032)		(19,048)
9,190	- HRA Capital Expenditure	13,372
(12,842)		(5,676)

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.

2017/18 £'000		2018/19 £'000
(610)	Balance on 1 April	(624)
	Expenditure in year	
3,239	Tenant Notified Repairs	3,244
1,738	Void Repairs	2,042
1,650	Servicing Contracts	1,588
623	Painting Programme	585
10	Asbestos Removal/Surveys	11
442	Aids & adaptations	414
16	Decoration Grants	39
693	Other Expenditure	1,074
8,411		8,997
	Income in year	
(8,465)	Contribution from HRA	(8,997)
	Contribution to HRA	
0	Reduction in Repairs Reserve	58
(3)	Contribution from Leaseholders	(1)
(10)	Interest Received in year	(12)
(8,424)		(8,952)
(624)	Surplus Balance on 31 March	(579)

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:

2017/18 £'000		2018/19 £'000
	Capital investment	
9,731	Property, Plant and Equipment – HRA	24,960
0	Property, Plant and equipment – GF used as council housing	0
769	Non-Current Assets held for sale	0
151	Intangible Assets	25
55	Revenue Expenditure funded from Capital under Statute	0
10,706		24,985
	Sources of funding	
(456)	Capital Receipts	(7,107)
(126)	Revenue Contributions	(4,718)
(9,189)	Major Repairs Reserve	(13,160)
(935)	Government grants and other contributions	(0)
(10,706)		(24,985)
0	Balance unfunded at 31 March	0

- * REFCUS is created when expenditure has been incurred on items that are not capitalised as 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 £0.000m for 2018/19 (£0.055m in 2017/18).

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 2018/19, 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:

2017/18 £'000		2018/19 £'000
	Council dwellings	
(3,227)	- Right to Buy	(2,002)
(30)	- Discounts repaid	0
	Other Receipts	
(714)	- Land Sales reimbursements	
(33)	- Reimbursement of expenditure on General Fund property on sale	(70)
	Land receipts	
(4,004)		(2,072)
529	Less Pooled (Paid to Central Government)	760
(3,475)	Total	(1,312)

Note 8 - Rent Arrears

During the year 2018/19 total rent arrears increased by £0.227m or 14.9%, to £1.845m. A summary of rent arrears and prepayments is shown in the following table:

2017/18 £'000		2018/19 £'000
725	Current Tenant Arrears @ 31 March	901
893	Former Tenant Arrears @ 31 March	944
1,618	Total Rent Arrears	1,845
(156)	Prepayments @ 31 March	(312)
1,462	Net Rent Arrears	1,533

A bad debt provision of £283,640 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 2019 is £1.664m (£1.614m at 31 March 2018).

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:

2017/18		2018/19
£'000		£'000
	HRA Income & Expenditure Statement	
1,959	Current Service Cost	1,897
0	Past Service Costs	0
879	Net interest expense	879
2,838	Total	2,776
<u>(1,457)</u>	Amount to be met from HRA	<u>(1,510)</u>
<u>1,381</u>	Movement on Pension Reserve	<u>1,266</u>

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

2017/18 £'000 Total		2018/19 £'000 Council Tax	2018/19 £'000 NNDR	2018/19 £'000 Total	Note
INCOME					
(39,125)	Council Tax Payers	(41,617)	0	(41,617)	2
(100)	Income from Ministry of Defence	(103)	0	(103)	
(41,813)	Income from Business Ratepayers	0	(43,462)	(43,462)	3
(81,038)		(41,720)	(43,462)	(85,182)	
EXPENDITURE					
Precepts:					
6,145	- City of Lincoln Council	6,393	0	6,393	
27,798	- Lincolnshire County Council	29,485	0	29,485	
4,868	- Police & Crime Comm. Lincolnshire	5,206	0	5,206	
Business Rates:					
20,832	- Payments to Government	0	35	35	3
16,295	- Payments to City of Lincoln Council	0	26,032	26,032	3
4,074	- Payments to Lincs County Council	0	17,355	17,355	3
145	- Cost of Collection	0	145	145	
Bad and Doubtful Debts					
1	- Provisions	145	57	202	5
384	- Write Offs	118	84	202	
(643)	- Provision for appeals	0	(2,165)	(2,165)	5
(2,838)	Transfer of Collection Fund Surplus	188	1,080	1,268	4
77,061		41,535	42,623	84,158	
(3,977)	Deficit / (Surplus) for the year	(185)	(839)	(1,024)	
COLLECTION FUND BALANCE					
2,948	Balance brought forward at 1 st April	(287)	(742)	(1,029)	
(3,977)	Deficit/(Surplus) for the year (as above)	(185)	(839)	(1,024)	
(1,029)	Balance carried forward at 31st March	(472)	(1,581)	(2,053)	
Allocated to:					
(342)	- City of Lincoln Council	(73)	(1,017)	(1,090)	
(281)	- Lincolnshire County Council	(337)	(734)	(1,071)	
(36)	- Police & Crime Comm. Lincolnshire	(62)	0	(62)	
(370)	- Government	0	170	170	
(1,029)		(472)	(1,581)	(2,053)	

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. For 2018/19, the City of Lincoln was part of a 'pilot' scheme which meant its retained share changed from that previously received in 2017/18 under a 'pool' arrangement with the remainder paid to precepting bodies as follows:

	2017/18 'Pool'	2018/19 'Pilot'
City of Lincoln	40%	60%
Lincolnshire County Council	10%	40%
Central Government	50%	0%

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 Base

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 2018/19 was 23,943 (23,690 in 2017/18). 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 2018/19 was approved at the Executive on 8th January 2018 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	0	65	36
A	6/9	27,437	22,210	14,806
B	7/9	8,776	7,510	5,841
C	8/9	4,853	4,290	3,814
D	9/9	2,508	2,269	2,269
E	11/9	1,229	931	1,138
F	13/9	395	370	535
G	15/9	136	126	210
H	18/9	45	8	15
Total		45,379	37,779	28,664
Deduction for Non Collection				(358)
Crown Properties Adjustment				61
Adjusted to Band D Equivalent				28,367
Council Tax Relief Scheme				(4,424)
Tax Base for the Calculation of Council Tax				23,943

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 2018/19 was £41.616m (£39.125m in 2017/18).

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. For 2018/19, the City of Lincoln was part of a 'pilot' scheme which meant its retained share changed from that previously received in 2017/18 under a 'pool' arrangement with the remainder paid to precepting bodies as follows:

	2017/18 'Pool'	2018/19 'Pilot'
City of Lincoln	40%	60%
Lincolnshire County Council	10%	40%
Central Government	50%	0%

The business rates shares payable for 2018/19 were estimated before the start of the financial year as **£0.035m** (£20.832m in 2017/18) to Central Government, **£17,355m** (£4.074m in 2017/18) to LCC and **£26,032m** (£16.295m in 2017/18) to the City of Lincoln Council. These sums have been paid in 2018/19 and charged to the Collection Fund in year. The significant changes to these values between financial years is due to being in a 'pilot' scheme in 2018/19.

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 Pilot in 2018/19 alongside Lincolnshire County Council, North Lincolnshire Council and the other 6 Lincolnshire District Councils. In 2018/19 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of **£12.471m** (£12.228m in 2017/18).

The total income from business rate payers collected in 2018/19 was **£43.462m** (£41.813m in 2017/18).

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/Pilot or as first call on gains from pooling/pilot if authorities are members of an NNDR Pool/Pilot). For the City of Lincoln the value of the safety net figure (net of tariff) is **£4.071m** (£3.295m in 2017/18). 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 2018/19.

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 2019. 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 2018/19 has been calculated at £2.165m (£0.643m was added in 2017/18).**

For 2018/19, the total non-domestic rateable value at the year-end is **£112.1m** (£112.7m in 2017/18). The national multipliers for 2018/19 were **48.0p** for qualifying Small Businesses, and the standard multiplier being **49.3p** for all other businesses (46.6p and 47.9p respectively in 2017/18).

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 2018 it was estimated that the Collection Fund would have a Council Tax surplus of **£0.188m** (£0.236m in January 2017) and a Business Rates surplus of **£1.081m** (£3.074m deficit in January 2017), a combined Collection Fund surplus of **£1.269m** (£2.837m deficit in January 2017) and so the following amounts were due to or from the preceptors in 2018/19:

2017/18		2018/19
£'000		£'000
1,191	City of Lincoln Council	(462)
139	Lincolnshire County Council	(243)
(30)	Police & Crime Comm. Lincolnshire	(24)
1,537	Central Government	(540)
2,837	Total	(1,269)

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF CITY OF LINCOLN COUNCIL

Report on the financial statements

Opinion

We have audited the financial statements of City of Lincoln Council for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing revenue Account, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of City of Lincoln Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

These key matters were relevant to our audit of the Group financial statements, insofar as the Group consolidates the Council's statements.

Key audit matter	Our response and key observations
<p>Valuation of property, plant and equipment, investment properties and assets held for sale</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE), investment properties and assets held for sale.</p> <p>The Council employs valuation experts to provide information on valuations, because there is a high degree of estimation uncertainty associated with the (re)valuations of PPE, investment properties and assets held for sale due to the significant judgements and number of variables involved.</p>	<p>We have:</p> <ul style="list-style-type: none"> critically assessed the Council's arrangements for ensuring that PPE, investment property and assets held for sale valuations are reasonable; critically assessed the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Council's valuers; consider the competence, skills and experience of the valuers and the instructions issued to the valuers; and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate. <p>Aside from a non-material classification error, there are no significant matters arising from our testing, and we have concluded that the Council's property, plant and equipment, investment properties and assets held for sale are materially fairly stated.</p>
<p>Valuation of net defined benefit liability</p> <p>The financial statements contain material accounting entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office. <p>There are no significant matters arising from our testing, although we do wish to bring the following to Members' attention.</p> <p>All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.</p> <p>This resulted in a non-material understatement of liabilities, for which the Council has updated the financial statements to reflect the changes identified in these revised valuations.</p>

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a

whole. Based on our professional judgement, we determined materiality for the financial statements of the Council and the Group as a whole as follows:

Overall materiality	£1,757k
Basis for determining materiality	1.5% of gross expenditure at the Surplus/Deficit on Provision of Services Level
Rationale for benchmark applied	Gross expenditure at the Surplus/Deficit on Provision of Services Level was chosen as the appropriate benchmark for overall materiality as this is a key measure of financial performance for users of the financial statements.
Performance materiality	£966k
Reporting threshold	£53k
Specific materiality	<p>Officers' Emoluments £110k</p> <p>An error in the disclosure would materially affect the reader's view</p> <p>Officer's remuneration bandings £5k</p> <p>A sensitive item of account</p> <p>Members allowances £58k</p> <p>A sensitive item of account</p> <p>Audit fee £14k</p> <p>A sensitive item of account</p>

Note 1: performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

Note 2: the triviality threshold is the level under which individual errors (unless cumulatively material) are not communicated to the Audit and Governance Committee and is based on 3% of overall materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Chief Finance Officer made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Council and the sector in which it operates. We considered the risk of acts by the Council which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Council's accounting processes and controls and its environment, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of Council meetings in the year; and
- enquiries of management.

As a result of our procedures, we did not identify any key audit matters relating to irregularities, including fraud.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both Those Charged with Governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under 'Key audit matters' within this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on City of Lincoln Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, City of Lincoln Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Other matters which we are required to address

We were appointed as the Council's auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total

uninterrupted engagement, including previous renewals and reappointments of the firm, is one year covering the audit of the financial year ending 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Council and we remain independent of the Council in conducting our audit.

In addition to the audit, we provided the following services to the Council during the period 1 April 2018 to 31 March 2019, that have not been disclosed separately in the Statement of Accounts:

- Assurance services on the Housing Capital Receipts Pooling return for 2017/18.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of the audit report

This report is made solely to the members of City of Lincoln Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of City of Lincoln Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Surridge

For and on behalf of Mazars LLP

45 Church Street

Birmingham

B3 2RT

September 2019

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 and again in April 2019.

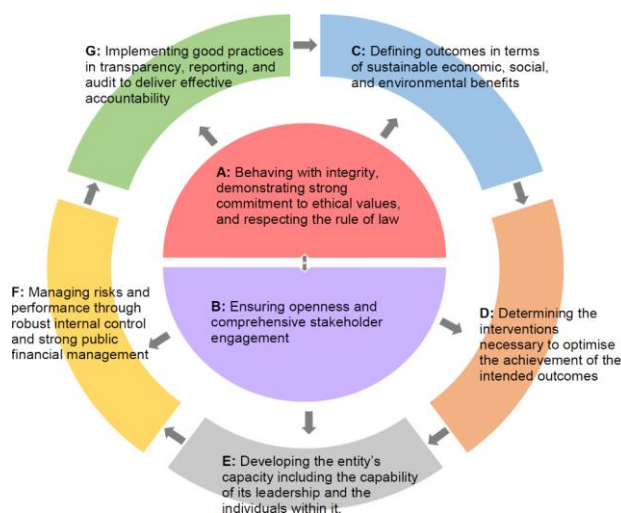
How we are meeting these defined responsibilities is detailed in the Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. www.lincoln.gov.uk

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:

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
- ❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)

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
- ❖ Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision.

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 2018/19:

- Counter Fraud Strategy/action plan and other Counter Fraud policies have been reviewed, and training rolled out. The council is involved with the National Fraud Initiative and has a close working relationship with Department for Work & Pensions for Housing Benefit fraud.
- We have undertaken counter fraud projects with the Lincolnshire CF team
- Continued progress on outstanding actions to meet GDPR especially in contracts
- We have rolled out the NETconsent – policy management and compliance system
- Member induction for those new Members elected in May 2018
- We have implemented a Corporate Social Responsibility Charter and registered the council as one of the first members
- We have adopted the cooperatives charter against modern slavery
- We have also produced our first modern slavery statement

Proposed activity for the coming year:

- Member induction for those new Members elected in May 2019
- A review of Pro-contract
- Re-enforce the principles of hospitality guidance

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 as 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 2018/19:

- Consultation was conducted in January 2019 on the proposed MTFS for 2019-2024
- Consultation was conducted in December 2018 on the Council Tax Support Scheme
- The Council has increased its use of social media to enhance its communications reach
- WGC – Lengthy consultation took place during 2018/19, with multiple focus groups. As a result significant changes are to be made within the transport aspect
- The City of Lincoln is a partner in a group of voluntary sector organisations which has reviewed the Community Cohesion Framework for Lincoln
- Housing undertook the biennial STAR survey in late 2018
- The Citizen's Panel was extended to 700 members with specific remit of matching the city's characteristics for age/sex and geographical areas
- Citizens have been involved in consultations on proposals for new residents parking schemes in and around the city centre
- Communication and consultation strategies for all our large scale projects

Proposed activity for the coming year:

- Development and roll out of a new Communications Strategy
- Review of the Consultation and Engagement Strategy
- Considering the creation of a Tenant's consultation panel

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 deliver quality housing

- ▶ Let's reduce inequality
- ▶ Let's enhance our remarkable place

Together, let's deliver
Lincoln's ambitious future

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 2018/19:

- Approval of the MTFS which is a financial representation of the Council's Vision 2020
- Implementation is well underway on the place strategy for Park Ward/Sincil Bank, highlighted as an area for regeneration. Three key strands of work are underway.
- Plan to be developed for embedding sustainability over the next 3 to 5 years
- Further develop plans for the Western Growth Corridor in partnership – planning application now in situ
- We have started the refresh of the Low Carbon Lincoln Strategy and action plan
- Instigation of a new Lincoln Intervention Team to address ASB issues in the city centre and surrounding areas
- Successful launch of the Lincoln Lottery – raising over £42k for good causes pa

Proposed activity for the coming year:

- To enhance the external appearance of the Lincoln Crematorium to match the professional service delivered to those in need
- Development of the future strategic plan – Vision 2025
- Determination of a direction for the Markets Strategy
- Further progress on Western Growth Corridor

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 2018/19:

- Implementation of the new Capital Programme Group to ensure financial responsibilities in all capital projects is conducted correctly
- A new training programme for all staff either managing or taking part in projects has been rolled out as part of the LPMM changes
- A Transformation Manager has been appointed to commence work on the One Council project
- The TFS programme Team has identified a phase 6 programme to meet the increased MTFS savings target
- A new Property Investment Strategy is in place to ensure our commercial purchases are done in an appropriate manner

Proposed activity for the coming year:

- Commencement of the One Council programme
- Conduct a PIR on the effects of the changes from SPIT to CPG – one year on

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 2018/19:

- Continued roll out of People Strategy demonstrating plans to develop capability and capacity. Two defined lead roles now in operation around performance and staff wellbeing.
- More HR policies have been reviewed with training delivered to managers
- A further review of Directorate structures following the retirement of the Housing Director in April 2018 resulting in a new structure
- Commenced HR line management briefings

Proposed activity for the coming year:

- PIR to be conducted on the changed senior management structure
- People Strategy to continue to roll out new activities for example a Staff Engagement Strategy
- Needs analysis to be completed on Leadership Development
- New staff charter – consultation and then implementation

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 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 2018/19:

- Continued use of the risk process 'Risk Appetite' methodology and toolkit, with an update in 2018 to include the 5th category of "opportunistic"
- The External auditor issued an unqualified opinion on the Authority's final Statement of Accounts
- 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 introduction of NETconsent to minimise the risk of non-compliance to policy
- The Council moved from KPMG (external auditors) to Mazars during 2018/19

Proposed activity for the coming year:

- 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

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 2018/19:

- Improvements made to the website, including more self-serve options – through 2018/19
- Communications team has increased coverage of new developments, changes etc. through social media as well as the more traditional channels
- Development of a new performance management system approved by CMT in December 2017 has progressed well with the aim of producing data from it in Q1 2019/20

Proposed activity for the coming year:

- The next aim is to improve the culture of performance across the organisation and the use of data to manage services
- The Lincoln Performance Management Framework will be reviewed in 2019/20
- 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 2018/19 - summary details are outlined above.

We reviewed key governance areas and assurances to identify any significant governance issues.

The Head of Internal Audit is required annually to give an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

For 2018/19 substantial (green) assurance was provided over governance, risk management and internal control.

Supporting this assessment is the detailed work undertaken by Internal Audit during the course of the year. Whilst this identified a number of minor issues none were considered significant enough to highlight any significant governance issues. There was one limited assurance report on IT applications. Appropriate corrective action has been agreed to address internal audit findings and progress against delivery of the resultant actions plans is reported to and monitored routinely by the Council's Audit Committee.

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 2017-18

The Council has regularly monitored its 2017 -18 significant governance issue through senior management and the Audit Committee during 2018/19:

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

- **Information Management GDPR:** During 2018/19 significant progress was made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR). This is now embedded within services, but our DPO continues to ensure that compliance to process is ongoing.

5 Significant governance issues identified from 2018-19

New significant issues identified – One issue was identified for monitoring:

- **The Disaster Recovery plan in place for IT arrangements** is not sufficiently aligned with the Business Continuity plans that are currently in place for restoring key services in terms of IT needs

There is an action plan in place for addressing this significant issue and this will be reported regularly to Audit Committee

Those lesser concerns that were raised during the process will be passed to the High Performing Services Board and monitored quarterly and reported to Performance Scrutiny through the High Performing Services report

6 Conclusion

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

Signed



Leader (Cllr Ric Metcalfe) **Date: 23rd May 2019**



Signed

Chief Executive (Mrs Angela Andrews) **Date: 23rd May 2019**

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. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

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. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

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 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 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.

FAIR VALUE INPUT LEVELS

Basis for recurring fair value measurements:

- Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.
- Level 3 Inputs - unobservable inputs for the asset or liability.

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

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 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

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

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.

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SUBJECT:	ACQUISITION POLICY ADDENDUM
DIRECTORATE:	HOUSING AND INVESTMENT
REPORT AUTHOR:	ANDREW MCNEIL, ASSISTANT DIRECTOR, HOUSING INVESTMENT AND STRATEGY

1. Purpose of Report

- 1.1 Since the implementation of the Council's Acquisition Policy in June 2019, it has become apparent that a more streamlined process for the acquisition of private dwellings which are not former local authority dwellings, but are of strategic importance to the Council, is required. In addition, now the Policy is in use, minor changes to the acquisition process are required, this report seeks the Executive's approval for the proposed amendments.

2. Background

- 2.1 The Acquisition Policy was approved on the 28th May 2019 and became policy in June 2019. To date the policy has facilitated the purchase of eight former council dwellings under delegated authority, with a further seven former council dwellings anticipated to be legally completed by the end of September 2019. Subject to a few minor modifications, the process of purchasing former council dwellings is working well, however, it has become apparent that a more streamlined approach is required to buy dwellings which have never been part of the Council's housing stock, yet would meet a strategic housing need. At present this requires a business case for individual properties to be presented to the Council's Executive for approval unless an urgent decision is required in which case Executive delegations are in place to the 'virtual' Asset Management Group. This process can be prohibitive as potential purchases can be lost due to the additional time required.
- 2.2 The Acquisition Policy Addendum report was discussed and approved by Policy Scrutiny Committee on the 20th August 2019. The minutes of that meeting are attached at Appendix B.

3. Proposed Amendments to Section 3 and Section 4 of the Acquisition Policy

- 3.1 In order to streamline the process of acquiring dwellings which have never been part of the Council's housing stock, it is proposed that these acquisitions are made in-line with the existing approach of acquiring former council dwellings. In addition, minor amendments to the process are proposed. All proposed changes are set out below.

Section 3 Criteria for acquisition of former council homes and other individual dwellings to meet strategic need.

The following process for the acquisition of individual private properties, including former council homes will be adopted:-

- The Housing Strategy Team (HS) undertake property searches to identify potential acquisitions and consider properties previously sold under the Right to Buy where the Right of First Refusal is applicable.
- HS organise and coordinate a joint viewing inspections with the Housing Repair Service and for properties identified as suitable for acquisition property services are instructed to provide a valuation.
- HS assess the valuation and repair costs and if considered value for money will make an offer, subject to contract, of an amount no more than the valuation. On acceptance of the offer HS prepare a business case which includes the valuation, acceptance offer, estimated repair cost, rent and Stamp Duty Land Tax. The business case will be assessed by Finance as to its viability.
- Following assessment by Finance, approval from the Section 151 Officer, or their nominated deputy, is required to proceed with the acquisition under delegated authority, final approval for the acquisition is made by the Director of Housing and Investment, or their nominated deputy, under delegated authority. Once all approvals are in place, Legal Services are instructed by HS to undertake the conveyancing.
- On completion, the acquisition becomes part of the Council's HRA stock and void works are undertaken to enable the property to be let.

3.2 The policy lists all factors to be considered by HS when identifying a property, an amendment to the list has been made to clarify that, with the exception of former council flats, all properties acquired by the Council will be freehold. In addition, unless there is an evidenced case to enable homeless prevention, all properties will be acquired with vacant possession.

3.3 With the proviso that the acquisition of all individual dwellings falls under Section 3 of the Policy, Section 4 is proposed to be amended as set out below:-

Section 4 Criteria for the purchase of all other acquisitions ~~and private housing~~

A business case for all acquisitions will need to be presented to Executive for approval unless an urgent decision is required, in which case Executive delegations are in place to the 'virtual' Asset Management Group.

Acquisitions, other than covered by Section 3, will include properties for demolition, properties to be remodelled as supported housing, properties bought off-plan or as a group of acquisitions and development land. This is not an exhaustive list of properties or sites.

4. Corporate Priorities

4.1 Let's Provide Quality Housing

The acquisition of properties and development land will help meet Lincoln's housing need now and in the future.

5. Organisational Impacts

5.1 Finance

For every property the Housing Strategy team will prepare a business case which includes the valuation, acceptance offer, estimated repair cost, rent and Stamp Duty Land Tax. The business case will be assessed by Finance as to its viability.

5.2 Legal Implications including Procurement Rules

The Council's Legal Services Team will undertake conveyancing work, the cost of which would be contained within existing HRA resources.

5.3 Land, Property and Accommodation

The Housing Repair Service and Housing Strategy & Investment team would carry out an inspection of any property being considered for purchase to determine any costs that may be incurred to bring the property up to the Lincoln Homes Standard.

6. Recommendation

For Executive to consider and approve the proposed minor policy and process amendments to the Acquisition Policy.

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? Yes

How many appendices does the report contain? Two

List of Background Papers: Acquisition Policy

Lead Officer: Kate Bell, Housing Strategy Officer
Telephone (01522) 873311

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City of Lincoln Council ACQUISITION POLICY

June 2019

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1. Introduction

The City of Lincoln Council Acquisition Policy applies to the council's acquisition of land, development sites, residential properties, former council and empty homes acquired using Right to Buy receipts to increase the supply of affordable homes and to bring more empty homes back into use.

2. Use of capital receipts acquired through Right to Buy

Under the latest Right to Buy (RTB) regulations owners of former council homes purchased under RTB regulations must, if they wish to re sell their property within ten years of their initial purchase, offer it to their former landlord (the council), or another social landlord. Should the sale take place within the first 5 years of their ownership they must also repay a percentage of the RTB discount they have received on the purchase of the property.

Local Authorities have the ability to reinvest Right to Buy (RtB) receipts within Retention Agreements (so-called 1-4-1 capital receipt agreements) for a period of 3 years. RtB receipts can be used for 30% of the capital costs of purchase and repair of a property or new build on the basis that they provide a one for one replacement for affordable housing (as defined by section 68 (1)(a) of the Housing and Regeneration Act 2008.)

In recent years there has been an increase in the number of properties sold by the council through Right to Buy as shown in the following table.

Year	Total no of Sales	Projected sales in the Self-financing Agreement	Additional sales which give a useable receipt
17/18	67	21	46
16/17	62	20	42
15/16	53	20	33
14/15	35	19	16
13/14	32	17	15
12/13	24	15	9

As a result of the increase in sales of council homes there will be an additional pressure on the council to spend RtB retained capital receipts for the purposes of replacing social housing. Any underspend of retained capital receipts will have to be returned to the Secretary of State with interest of 4% above the base rate on a day to day basis compounded with three monthly rests.

It should be noted that following a consultation from the Ministry of Housing, Communities and Local Government on the rules of Right to Buy and use of receipts in August 2018 we are currently awaiting the Government's announcement regarding any amendments made pursuant to section 11(6) of the Local Government Act 2003. Any changes to the Act in relation to use of RtB retained capital receipts agreement will require amendments to this policy.

3. **Criteria for Acquisition of former council homes and other individual dwellings to meet strategic need.**

It is proposed that former council properties that are offered back to the council for purchase or former council and privately owned properties for sale on the open market will be assessed and a business case prepared with a recommendation to either purchase or reject the property. We will aim to purchase up to 10 properties per annum from the council's RtB retained capital receipts fund. Properties can be purchased through the Right of Return process or through proactive engagement with local estate agents to identify properties.

The decision to purchase properties will be dependent on a business case and considered on a property by property basis which would be determined by the following factors:

- There is a specific housing need for the type, size and location of the property that is being offered, in accordance with the council's housing register.
- A property is considered of strategic importance, for example individual units within a council owned block or located within the council's defined regeneration area.
- The decision to purchase individual properties funded by retained capital receipts will be considered alongside any planned or potential purchase of larger sites/properties.
- Larger sites/properties will be prioritised over individual properties if at any time there is a limit on the availability of the council's retained capital receipts.
- The purchase price and refurbishment costs will be met by 30% of the RtB receipts and 70% through prudential borrowing or resources within the Housing Investment Programme, whichever is determined most financially prudent at the time of purchase.
- The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the acquisition.
- The viability of the purchase, refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all purchased properties are self-funded and do not exceed the ceiling price.
- The property is purchased with vacant possession and with the exception of former council flats, properties will be freehold.
- Each party will bear the costs of their own legal and valuation fees.

The following process for the acquisition of individual private properties, including former council homes will be adopted:-

- The Housing Strategy Team (HS) undertake property searches to identify potential acquisitions and consider properties through the Right of Return process.
- HS organise and coordinate a joint viewing inspections with the Housing Repair Service and for properties identified as suitable for acquisition property services are instructed to provide a valuation.
- HS assess the valuation and repair costs and if considered value for money will make an offer subject to contract of an amount no more than the valuation. On acceptance of the offer HS prepare a business case which will include the valuation, acceptance offer, estimated repair cost, rent and Stamp Duty Land Tax. The business case will be assessed by Finance as to its viability.
- Following the assessment by Finance, approval from the Section 151 Officer, or their nominated deputy, is required to proceed with the acquisition under delegated authority, final approval for the acquisition is made by the Director of Housing and

Investment, or their nominated deputy, under delegated authority. Once all approvals are in place Legal Services are instructed by HS to undertake the conveyancing.

- On completion, the acquisition becomes part of the Council's HRA stock and void works are undertaken to enable the property to be let.

4. Criteria for the purchase of all other acquisitions ~~and private housing~~

The council are on occasions approached directly by landowners/property owners offering to sell vacant or recently developed housing sites. It is proposed that residential sites offered to the council for sale directly or that become available on the open market are assessed to determine if they meet the council's strategic priorities and a defined local housing need.

The decision to purchase sites will be dependent on a business case and considered on a site by site basis which would be determined by the following factors:

- Acquisitions will include properties for demolition, properties to be remodelled as supported housing, properties bought off-plan or as a group of acquisitions and development land. This is not an exhaustive list of properties or sites.
- Due to the financial costs and resources required by the council to purchase land/properties, larger sites will be prioritised over individual properties if resources are limited at any time.
- The viability of the purchase, new build/refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all development/developed sites/private properties are self-funded.
- Housing need will be based on the evidence from the latest Strategic Housing Market Assessment.
- The council will undertake land valuations (to be appointed internally or externally depending on the expertise/capacity available at the time) and ground surveys where necessary when considering any purchase of land sites.
- The purchase price and refurbishment costs will, in the first instance, be met by 30% RtB receipts with the balance of 70% through prudential borrowing or resources within the Housing Investment Programme. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the purchase.
- Where RtB receipts are used to purchase sites there is a specific housing need in location that is being offered, in accordance with the council's housing register.
- Where a site is purchased with existing housing the properties are sold with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

A business case for all sites identified for purchase by the council will need to be presented to Executive for approval unless an urgent decision is required in which case Executive delegations are in place to the 'virtual' Asset Management Group.

3. City of Lincoln Council Right to Buy Replacement Grant Scheme.

The use of retained capital receipts can be utilised for RtB replacement of a range of affordable housing products. RtB receipts can be transferred to Registered Housing Providers (RPs) to provide 30% of funding to deliver affordable housing within Lincoln.

To increase the number of empty homes brought back into use and further increase the supply of new build affordable housing the council will introduce a capital grants programme using RtB capital receipts which otherwise would be returned to the Treasury with interest if not spent within 3 years.

5.1 Grant Fund Criteria

The criteria for the grant scheme will be set out to meet the Government's funding rules and will include the following:-

- The council will require RPs to enter into a nomination agreement active for a period of 60 years from the practical completion date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.
- The grant funding element from the council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.
- Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from Homes England. However a split development site with more than one project could qualify so long as funds from the council and Homes England are not invested in delivering the same project.
- Payment of grant will be at pre-agreed stages which will form part of the grant agreement with the council.
- Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- The RP will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
 - starts on site;
 - spend on each individual project
 - key programme milestones

The grant will cover the following heads of expenditure:-

Acquisition

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

Works

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable
- Unrecoverable VAT on the above (where applicable)

On costs

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission
- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums

Borrowing administration charges (including associated legal and valuation fees)

5.2 Grant Agreement for Right to Buy 1-4-1 Replacement Schemes

The council will assess an application for RTB grant funding based on the Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme Requirements set out in full in appendix 2. Subject to the RP meeting the criteria the council will issue a Grant Agreement for Right to Buy Replacement Schemes to be signed by the RP. A template of the grant agreement can be viewed in appendix 3.

5.3 Monitoring of the Grant fund

Once the grant has been awarded by the council the RP will be responsible for monitoring and reporting on delivery of the scheme to ensure that the RP is meeting the strict time limits that will apply to the delivery of the project and funding claims in accordance with Government RTB funding rules. A template of the monitoring form for the council's right to buy replacement grant scheme is available in appendix 4.

Appendix 1

Business Case and Authorisation to Purchase Land/Property

Land / Property Reference	
Report by	
Date	
Report	
To cover the following:- <ul style="list-style-type: none"> • Valuation • Refurbishment required • Evidence Housing Need • Opportunities to improve SAP rating • Anticipated total costs, including works and fees • Proposed Offer Price 	
Finance	
141 money allocation - £ 70% match - £	
Recommendation	
[As per the attached policy which gives delegated authority to the DOH and DOR to proceed with purchases of ex council properties] To proceed with the purchase of property as follows:	
Portfolio Holder (Sign and Date)	
DHI (Sign and Date)	
AD S&I (Sign and Date)	
Finance (Sign and Date)	
Legal (Sign and Date)	

Appendix 2

Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme Requirements

Information for Applicants

Both new build and refurbishment projects are eligible for funding. In compiling your application please take note of the following key points. In many instances these are essential to ensure compliance with Government funding rules. NB delivery timescales for projects are very important and must be adhered to in order to trigger grant payments:

- 1 The Council will require you to enter into a nomination agreement active for a period of 60 years from the Practical Completion Date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.
- 2 The grant funding element from the Council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.
- 3 Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from the Homes England. However a split development site with more than one project could qualify so long as funds from the Council and HE are not invested in delivering the same project.
- 4 Payment of grant will be at pre-agreed stages which will form part of your grant agreement with the Council.
- 5 Funds can be spent on new build property or on the refurbishment of a property. Refurbished property must not be social housing properties at the time of the expenditure. All projects must take place within City of Lincoln Council Boundary.
- 6 Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- 7 Your organisation will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
 - starts on site;
 - spend on each individual project
 - key programme milestones

- 8 As a minimum your organisation must agree to provide financial records/accounts and any other records requested relating to each project quarterly unless otherwise agreed. Claims should be supported by evidence of spend having been incurred (for example copy invoices). The Council's external Auditors may need to inspect your organisations financial accounts relating to the project(s) in order that the Council complies with the Government Capital Receipts Pooling requirements and the subsequent audit requirements.
- 9 Planning application progress: whilst we do not require planning to be submitted progress toward planning application submission/planning approval is important and therefore your application should clearly describe where you are in respect to the planning application process including pre app discussions and any key planning issues.

Eligible expenditure

The amount spent on social housing includes the following:

- a) Development costs associated with the acquisition of dwellings to be used as social housing;
- b) Development costs associated with the acquisition of land for the construction of dwellings to be used as social housing;
- c) Development costs of construction of dwellings to be used as social housing.

Development costs mean the costs relating to the development of social housing in respect to the heads of expenditure set out below:

Heads of expenditure

Acquisition

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

Works

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable

- Unrecoverable VAT on the above (where applicable)

On costs

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission
- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums
- Borrowing administration charges (including associated legal and valuation fees)
- An appropriate proportion of the development and administration costs of the Authority or the body in receipt of funding from the Authority
- Irrecoverable VAT on the above

Note 1

Where the development contract is a design and build contract the on-costs are deemed to include the builders design fee element of the contract sum. The amount included by the builder for the design fees should be deducted from the works cost element referred to above, as should other non-works costs that may be submitted by the builder such as fees for building and planning permission, building warranty, defects liability insurance, contract performance bond and energy rating of dwellings.

Note 2

Some items will not qualify as development costs unless the Authority can clearly demonstrate that such costs are properly chargeable to the social housing, i.e. for the sole use of residents or to comply with any statutory obligations that may have been imposed.

Examples of these are:

- Works to roads which do not exclusively serve the social housing
- Landscaping to areas of land which lie outside the boundaries of the land on which the social housing site is located.
- District heating systems
- Trunk sewers and sewage disposal works
- Special refuse treatment buildings
- Public conveniences
- Community halls, club rooms, reception rooms

Note 3

Subject to the above where any cost incurred or to be incurred by the Authority or a body in receipt of funding from the Authority is common to both the development of the social housing and to any other activity, asset or property of the Authority or a body in receipt of funding from the Authority only such part of that cost as is attributable to the development of the social housing may be treated as a cost in which the retained amount may be paid.

Note 4

Approval process - where an application is received for a funding request of under £500k the Chief Financial Officer Director of Housing and Investment will approve and authorise the release of this funding from the Right to Buy Replacement Programme. Approvals for this can take up to one month. Where the funding request is over £500k the decision will have to be approved by the Executive Board. Approvals for this can take up to three months.

Key Assessment criteria

Timescales: Strict timescales apply to spend of RTB funding and therefore delivery within agreed timescales is essential. (The grant agreement will specify dates for drawdown of funding and expenditure).

Value for Money: Your organisation will be expected to demonstrate that all reasonable steps have been taken to ensure best consideration and value for money. A development appraisal may be required if your project is selected at the Expression of Interest stage to go forward to a full application – the level of match funding required – development offer e.g. additional benefits that the project will deliver for the community.

Affordability: The Council has a preference for the properties to be let at a social rent.

Deliverability: Confirmation of funding availability and strength of project partnership and organisational record of delivery will be essential to the award. Other evidence to demonstrate the scheme is deliverable such as land availability/ownership will also be considered. Similarly the planning status of the scheme will be an important consideration for the allocation of grant.

Quality standards: The Council is committed to promoting excellence in respect of design quality, space standards and environmental efficiency. As a minimum all schemes will be expected to meet the Lincoln Standard..

Alignment with Council Priorities: Including Empty Homes Strategy, Housing Strategy affordable housing priorities, housing demand data.

Learning, Training and Employment: Schemes should demonstrate how they will ensure learning and training opportunities and how they will drive standards for apprenticeships and local labour opportunities.

Appendix 3

City of Lincoln Council Grant Agreement for Right to Buy 1-4-1 Replacement Schemes

THIS AGREEMENT is made the day of Two thousand and nineteen

BETWEEN:

- (1) **CITY OF LINCOLN COUNCIL** of City Hall, Beaumont Fee Lincoln LN1 1DD ("**the Council**") and
- (2) [] (**Company No.**) whose registered office is at **ADDRESS** [] ("**the Grant Recipient**")

RECITALS:

- (1) By an agreement dated **12 June 2012 the** Secretary of State for Communities and Local Government has permitted the Council to retain capital receipts the provision of social housing
- (2) The Council has agreed to advance grant funding to the Grant Recipient to facilitate the delivery of new social housing in the Council's administrative area
- (3) The Council will have nomination rights in respect of the social housing constructed by the Grant Recipient
- (4) The Grant Recipient has submitted a bid to the Council for grant funding to assist the Grant Recipient in the acquisition and refurbishment of Properties for social housing
- (5) The grant funding provided under this Agreement is made in compliance with the requirements set out in the European Commission's Decision of 20 December 2011 concerning public service compensation granted for Services of General Economic Interest (2012/21/EU).

PRINCIPAL CLAUSES:

1. Definitions

In this Agreement unless the context otherwise requires:

"Actual Programme Costs" means in respect of the Refurbishment Programme the total amount of Eligible Programme Costs actually incurred by the Grant Recipient in acquiring and developing as such amount is warranted and certified by the Grant Recipient pursuant to the provisions of Schedule 1

"Affordable Rent" means a rent (inclusive of service charges) which does not exceed eighty per centum (80%) of the market rent for an equivalent property of the relevant size and location such rent to be assessed and set in accordance with the requirements of the Rent Standard or such other below market rent to be agreed from time to time by the parties

"Affordable Rent Unit" means a Social Housing Unit let or to be let at an Affordable Rent and not a Social Rent

"Agreed Principles" means the terms set out in Part 1 of Schedule 3

"Agreed Timescale" means:

in respect of the Start on Site Date, 28 days from the acquisition of the first Property in each Phase of the Refurbishment Programme; and

in respect of the Date of Practical Completion, within 6 months of the Start on Site Date of the last Property in each Phase of the Refurbishment Programme

"Consents" means all consents building regulation approvals and other necessary approvals and consents (under statute any lease or otherwise) and all other relevant statutory or regulatory requirements required to enable the Refurbishment Programme to be lawfully carried out and maintained

"Date of Practical Completion " means the date on which the Project Monitor notifies the Grant Recipient (such notification not to be unreasonably withheld or delayed) that they are

satisfied acting reasonably that the Phase 1 and/or Phase 2 of the Refurbishment Programme is Practically Complete and has been completed within the Agreed Timescale

"the Refurbishment Programme" means the acquisition and refurbishment in accordance with the Refurbishment Standards of:

- (a) {} Properties in Phase 1 of the programme ("Phase 1")
- (b) {} Properties in Phase 2 of the programme ("Phase 2") for the purposes of letting the Properties on an assured short hold tenancy or a form of tenancy to be agreed in advance by the Council at an Affordable Rent or such other below market rent to be agreed from time to time by the parties

"Eligible Programme Costs" means those costs incurred by the Grant Recipient in carrying out the Refurbishment Programme as specified in Schedule 6 (calculated using generally acceptable accounting principles)

"Decent Homes Standard" means the standard described in sections 4 and 5 of the Department for Communities and Local Government's publication entitled "A Decent Home: Definition and guidance for implementation June 2006 Update";

"Encumbrance" means any mortgage charge pledge lien or other encumbrance

"Event of Default" means any of the events or circumstances set out in Schedule 4

"the Grant" means the Phase 1 Grant and the Phase 2 Grant totalling the maximum amount of grant payable to the Grant Recipient by the Council in accordance with the provisions of Schedule 1

"the Grant Recipient's Obligations" means the obligations of the Grant Recipient as set out in Schedule 3

"Insolvency Event" means the occurrence of any of the following in relation to the Grant Recipient:

- (a) it is unable or admits an inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness
- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities)
- (c) a moratorium is declared in respect of any indebtedness
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise)
 - (ii) a composition, compromise, assignment or arrangement with any of its creditors
 - (iii) the appointment of a liquidator, receiver, administrator, compulsory manager or other similar officer
 - (iv) enforcement of any Security over any assets of the Grant Recipient
 - (v) any analogous procedure or step is taken in any jurisdictionother than any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within ten (10) Business Days of commencement or
- (e) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Grant Recipient which has a Material Adverse Effect in relation to the Programme

"the Key Personnel" means the personnel identified by the Council as being key personnel

"Longstop Date" means 24 months from the date of this Agreement PROVIDED always that the Council may in its absolute discretion (but without any obligation to do so) from time to time extend the Longstop Date by giving notice in writing to the Grant Recipient fixing a revised Longstop Date and upon the giving of such notice any such revised Longstop Date shall be substituted for the date previously fixed hereunder]

"Material Adverse Effect" means the effect of any event or circumstance which is reasonably likely to be materially adverse to the ability of the Grant Recipient to deliver the Phase 1 and /or Phase 2 of the Refurbishment Programme on the basis agreed under this Agreement within the Agreed Timescales

"the Maximum Sum" means 30% of the Actual Programme Costs or the sum of (WORDS) s (£NUMBERS) whichever is the lesser sum.

"Phase 1 Grant" means £VALUE being the maximum amount of grant payable to the Grant Recipient by the Council during Phase 1 of the Refurbishment Programme in accordance with the provisions of Schedule 1

"Phase 2 Grant" means £VALUE being the maximum amount of grant payable to the Grant Recipient by the Council during Phase 2 of the Refurbishment Programme in accordance with the provisions of Schedule 1

"Potential Event of Default" means an event that with the giving of notice by the Council or lapse of time would become an Event of Default in accordance with Schedule 4

"Practical Completion" means that Phase 1 and /or Phase 2 of the Refurbishment Programme has been completed within the Agreed Timescale in accordance with Refurbishment Standards and the terms of this Agreement such that all the Properties within each Phase are fit for beneficial occupation as Social Housing Units, and Practically Complete shall be construed accordingly

"Properties" means the properties to be acquired by the Grant Recipient for refurbishment as Social Housing Units comprising **NUMBER OF UNITS** Affordable Rented Units or such other mix of Social Housing as the Council may from time to time agree in writing

"Public Sector Subsidy" means all funding or subsidy in relation to the Refurbishment Programme in money or money's worth (including the Grant) received or receivable by the Grant Recipient from public sector bodies (whether national or local) or bodies in receipt of lottery funds from the National Lottery Distribution Fund pursuant to the National Lotteries Acts 1993 and 1998 and any further funding by the Council provided under this Agreement

"the Project Monitor" means such person as the Council may from time to time notify to the Grant Recipient is to act as Project Monitor

"Refurbishment Standards" means the standards submitted to and agreed by the Council but which if no specific standards are agreed must as a minimum meet the Decent Homes Standard

"Regulator" means the HCA acting through the Regulation Committee established by it pursuant to Part 2 of the HRA 2008 or any similar future authority (including any statutory successor) carrying on substantially the same regulatory or supervisory functions

"Rent Standard" means any standard set by the Regulator (including any associated explanatory notes or guidance from time to time under Section 193 Housing and Regeneration Act 2008 pursuant to any then applicable Direction)

"Rent Standard Guidance" means the document of that name published by the Regulator in March 2012 (including any other guidance issued by the Regulator in relation to that document) as such document and/or associated guidance may be amended, updated or replaced from time to time

"Secure Legal Interest" means the Grant Recipient has in respect of the Properties:

- (a) freehold title registered with title absolute
- (b) leasehold title registered with title absolute where the lease has at least 60 years unexpired duration

"Security" means a mortgage charge pledge lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (such as a sale or lease and leaseback a blocked account set off or similar arrangement)

"SGEI Decision" means the European Commission's Decision on Services of General Economic Interest dated 20 December 2011 (2012/21/EU)

"SGEI Decision Overpayment" means the extent to which Public Sector Subsidy (including the Grant) exceeds the maximum amount of aid under the SGEI Decision which may be provided without Unlawful State Aid arising

"Social Housing" has the meaning attributed to it in Section 68 of the Housing and Regeneration Act 2008

"Social Housing Unit" means a unit of Social Housing provided by the Grant Recipient that will be made permanently available to be let at an Affordable Rent

"Social Rent" means a rent calculated in accordance with the formula for calculating social rents set out in the Rent Standard Guidance

"Start on Site Date" means the date on which:

- (a) the Grant Recipient has taken possession of the Property and
- (b) the physical Works to the Property has commenced;

"State Aid" means aid granted by a member state of the European Union or through the resources of such a member state which distorts or threatens to distort competition by favouring a particular undertaking, in so far as such aid affects trade between European Union Member States

"Successful Completion" means Completion of the Refurbishment Programme within the Agreed Timescales

"Unlawful State Aid" means State Aid which has been granted in contravention of Article 107(1) Treaty of the Functioning of the European Union and which does not qualify for an exemption pursuant to any of the provisions of the Treaty of the Functioning of the European Union or any of its subsidiary instructions or legislation

"Value Added Tax" means any tax on value (other than Stamp Duty) or turnover (including Value Added Tax as defined by the Value Tax Act 1994) as shall be payable at the rate appropriate at the time of the relevant supply

"Works" means all of the works set out in Schedule 6 to this agreement and the refurbishment works required to bring the Properties up to the Refurbishment Standard such works to be agreed by the Parties in respect of each Property prior to the Start on Site Date

2. Interpretation

- 2.1 References to parties and other persons include their successors and permitted assigns except where the context otherwise requires
- 2.2 References to a clause or schedule are references to a clause of or a schedule to this Agreement unless otherwise provided. Clause and schedule headings are for ease of reference only
- 2.3 References to this or any other agreement or document or statute are references to them in force for the time being and as amended varied supplemented consolidated or re-enacted from time to time and include any schedules and annexes to such agreement or document and in the case of statutes any delegated legislation
- 2.4 In this Agreement "including" shall be construed so as not to limit the generality of any words or expressions in connection with which it is used
- 2.5 The schedules form part of this Agreement

- 2.6 The term 'Refurbishment Programme' include each and every Property therein
- 2.7 Words importing one gender include all other genders and the singular shall include the plural and vice versa

3. Purpose

- 3.1 The Council has agreed to make the Grant available to the Grant Recipient to provide the Refurbishment Programme subject to and in accordance with the terms and conditions of this Agreement.
- 3.2 Each party undertakes to co-operate with the other to facilitate the proper performance of this Agreement and the delivery of the Refurbishment Programme.

Payment of the Grant

- 4.1 Subject to the provisions of this Agreement the Council shall pay the Grant to the Grant Recipient in accordance with the provisions of Schedule 1
- 4.2 Unless the Council in its absolute discretion otherwise agrees the Council shall not be liable to pay the Grant or any part of the Grant at any time after the Longstop Date (as the same may be extended) or when:
- 4.2.1 an Event of Default has occurred and is continuing;
- 4.2.2 the Council believes acting reasonably that an Event of Default is likely to occur as a result of the relevant payment or is imminent; or
- 4.2.3 any of the representations and warranties contained in this Agreement would be incorrect in a material respect if it was then to be repeated
- 4.2.4 the Council believes acting reasonably that the payment of the Grant would be Unlawful State Aid

5. The Grant Recipient's Obligations

The Grant Recipient agrees with the Council that it will observe and perform the Grant Recipient's Obligations throughout the duration of this Agreement

6. Effect of Events of Default

Where an Event of Default has occurred and is continuing and has not been remedied the Council may by notice in writing to the Grant Recipient:

- 6.1 suspend the payment of the Grant for such period as the Council in its absolute discretion may determine;
- 6.2 vary the Maximum Sum in which case the payment of the Grant shall thereafter (subject to the provisions of this Agreement and provided that no other Event of Default has occurred and is continuing) be made in accordance with the variation notified to the Grant Recipient; and
- 6.3 terminate this Agreement whereupon:
 - 6.3.1 the Council shall cease to be under any obligation to provide the Grant to the Grant Recipient under this Agreement;
 - 6.3.2 the Council may require the Grant Recipient to repay the whole or any part of the Grant previously paid to the Grant Recipient where the Grant Recipient has not been liable to pay and has not paid such whole or part of the Grant to a third party and it is irrecoverable and the Grant Recipient agrees that upon receipt of notice requiring repayment they shall repay the sums required within twenty eight days of receipt of such notice;

7. Repayment of the Grant

- 7.1 The Grant Recipient shall, unless the Council acting in its absolute discretion agrees otherwise, repay to the Council any part of the Grant paid to the Grant Recipient as a result of an administrative error (whether by the Council the Grant Recipient or any other person). Any sums falling to be paid by the Grant Recipient to the Council under this Clause may be deducted from any further payments of any part of the Grant that the Council may be liable to pay to the Grant Recipient
- 7.2 If the Agreement Funding gives rise to an SGEI Decision Overpayment or otherwise constitutes Unlawful State Aid then the Council shall be entitled to recover from the Grant Recipient the amount of such SGEI Decision Overpayment and/or Unlawful State Aid together with such interest as it is required by law to recover and the Grant Recipient must pay such amount(s) within ten (10) Business Days of the Council requesting repayment

8. Notices

Any notice required to be given under this Agreement shall be in writing and shall be served:

- 8.1 as regards a notice to be served on the Council by personal delivery or by sending it by recorded postal delivery to the Council's City Solicitor at City Hall Beaumont Fee Lincoln LN1 1DD; or
- 8.2 as regards a notice to be served on the Grant Recipient by personal delivery or by sending it by recorded postal delivery to the Grant Recipient's Chief Executive at the address given in this Agreement

and shall (where sent by post) be deemed to have been served and received on the second working day following the day of posting and (where delivered personally) be deemed to have been given when received by the person to whom it is addressed

9. Value Added Tax

The payment of the Grant by the Council under this Agreement is believed to be outside the scope of Value Added Tax but if any Value Added Tax shall become chargeable all payment of the Grant or any part of the Grant shall be deemed to be inclusive of Value Added Tax and the Council shall not be obliged to pay any Value Added Tax over and above the amount of the Grant

10. Representations and Warranties

10.1 Without prejudice to any other term of this Agreement, the Grant Recipient:

10.1.1 expressly acknowledges the Agreed Principles and agrees to observe them and to be bound by them;

10.1.2 represents and warrants in the terms set out in Part 2 of Schedule 2` to the Council on the date hereof and on each day during the currency of this Agreement; and

3.1.3 acknowledges and agrees that the Council is relying on such representations and warranties and that each of such warranties and representations shall be separate and independent and, save as expressly provided to the contrary, shall not be limited by reference to any of them or by any other provisions of this Agreement.

11. Publicity

11.1 Subject to clause 11.2 below, the Grant Recipient shall not make or consent to the making of any public statement or announcement or engage in any promotional activity concerning this Agreement or any involvement of the Council concerning the Refurbishment Programme without the Council's prior consent

- 11.2 The Grant Recipient shall at all times during the carrying out of the Refurbishment Programme maintain on the Properties in a location to be agreed with the Council a sign of a type and design approved by the Council indicating that the Refurbishment Programme has been funded by the Council

12. Indemnity

The Grant Recipient shall indemnify and keep indemnified the Council from and against all costs expenses actions charges claims damages proceedings and other liabilities sustained or incurred as a direct result of any Event of Default or Potential Event of Default caused by the Grant Recipient

13. General

- 13.1 Nothing in this Agreement shall constitute or create a partnership or joint venture between the Council and the Grant Recipient or constitute the Grant Recipient or its staff as agents of the Council for any purpose whatsoever and the Grant Recipient and its staff shall not in any circumstances hold itself or themselves out as such
- 13.2 Except where any agreement decision or determination to be made by the Council under or in connection with this Agreement is expressly qualified such agreement decision or determination by the Council shall be made by the Council in its sole and absolute discretion
- 13.3 Any consent approval waiver or agreement of the Council or any person acting on behalf of the Council pursuant to this Agreement shall not be deemed to be an acceptance by the Council of the correctness or suitability of the contents of the subject of the approval or consent
- 13.4 This Agreement shall be governed by the laws of England and Wales and the Council and the Grant Recipient irrevocably agree that any legal action or proceedings arising

out of or relating to this Agreement may be brought and enforced in the courts of England and Wales and irrevocably submit to each jurisdiction

- 13.5 This Agreement may only be amended in writing duly executed by the Council and the Grant Recipient
- 13.6 If at any time any of the provisions of this Agreement become illegal invalid or unenforceable in any respect under any law or regulation of any jurisdiction in which they are to be performed the legality validity or enforceability of the remaining provisions of this Agreement shall not be in any way affected or impaired as a result and the Council and the Grant Recipient shall in good faith amend this Agreement to reflect as near as may be the spirit and intention behind such unenforceable provision or provisions so that the same may comply with the laws of that jurisdiction
- 13.7 No failure or delay on the part of the Council in exercising any right or power and no course of dealing between the Council and the Grant Recipient shall operate as a waiver nor shall any single or partial exercise of any right or power of the Council prevent any other or further exercise thereof or the exercise of any other right or power of the Council. The rights and remedies of the Council are cumulative and not exclusive of any other rights or remedies which the Council would otherwise have provided that the Council has in each instance acted in good faith
- 13.8 Nothing contained in or done under this Agreement and no consents given by the Council shall prejudice the Council's rights powers or duties and/or obligations in the exercise of its functions or under any statutes bye-laws instruments orders or regulations
- 13.9 Nothing in this Agreement nor in any other document shall impose any obligation or liability on the Council with respect to any actions of or obligations or liabilities assumed

or incurred by the Grant Recipient or their agents contractors or employees whether under contract statute or otherwise

13.10 Any disputes or differences arising as between the Council and the Grant Recipient as to their respective rights duties or obligations or as to any other matter or thing arising out of or connected with the subject matter of this Agreement (other than as herein provided) shall be referred in accordance with the provisions of the Arbitration Act 1996 or any statutory modification or re-enactment thereof for the time being in force to the determination of a single arbitrator to be agreed upon by the parties or failing agreement within seven days of a written request by one of the parties requesting such agreement then (upon the request of either of the parties) to a person nominated as arbitrator by the President for the time being of the Royal Institution of Chartered Surveyors.

13.11 For the avoidance of doubt nothing herein contained or implied shall prejudice or affect the Council's rights powers and obligations in the exercise of its functions as a local authority and the rights powers duties and obligations of the Council under all public and private statutes bye-laws orders and regulations may be as fully and effectually exercised in relation to the Properties and the Refurbishment Programme as if this Agreement had not been executed by them

13.12 The Grant Recipient may not assign or sub-contract any part of this Agreement without the consent of the Council (other than pursuant to security) and the Council may only assign or sub-contract it to a body which shall supersede the Council in dealing with the subject matter of this Agreement

14. Security

The Grant Recipient consents to the entry of an agreed notice against the Grant Recipient's title to the Property at the Land Registry

15. Nominations

On the date of this Agreement the Grant Recipient will enter into a nominations agreement in the form attached at Schedule 5.

16. Entire Agreement

This Agreement constitutes the entire understanding and agreement between the Council and the Grant Recipient as to the subject matter of this Agreement and save as expressly referred to or incorporated by reference supersedes all prior negotiations submissions or understanding between the Council and the Grant Recipient with respect to the subject matter

17. Fraud

The Grant Recipient must take all reasonable steps to prevent the risk of fraud to the Council. Where such steps reveal the possibility of fraud affecting the resources of the Council the Grant Recipient shall immediately inform the Council

18. Prevention of Bribery and Corruption

The Council shall be entitled to cancel this Agreement and to recover from the Grant Recipient the amount of any loss resulting from such cancellation if:

- 18.1 the Grant Recipient shall have offered or given or agreed to give to any person any gift or consideration of any kind inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to this Agreement or any other agreement with the Council;
- 18.2 the like acts shall have been done by any person employed by the Grant Recipient or acting on its behalf; or

18.3 in relation to any agreement with the Council the Grant Recipient or a person employed by them or acting on its behalf shall:

18.3.1 have committed any offence under the Bribery Act 2010; or

18.3.2 have given any fee or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972

18.4 In exercising its rights or remedies under this Clause 18 the Council shall act in a reasonable and proportionate manner having regard to such matters as the gravity of and the identity of the person performing the relevant act

IN WITNESS whereof the parties hereto have executed this document as a deed the day and year first hereinbefore written

SCHEDULE 1

Procedures for the payment of the Grant

1 Reporting

- 1.1 Until Practical Completion or such later date as the Council shall require the Grant Recipient will deliver to the Project Monitor a written report ("the Report") each month following the date of this Agreement updating the Council on general progress in relation to the Refurbishment Programme including, but not limited to:
 - 1.1.1 details of Properties selected for acquisition
 - 1.1.2 exchanges of contract and completion of the purchases of selected Properties
 - 1.1.3 details of schedule of works and a detailed breakdown of the estimated cost of the refurbishment works for each Property
 - 1.1.4 expenditure incurred in relation to the Refurbishment Programme :
- 1.2 The Report shall be signed by one of the Key Personnel or such other person as the Council in its absolute discretion may agree
- 1.3 The Council reserves all its rights pursuant to this Agreement in relation to any material changes or anticipated changes to the Refurbishment Programme or any of the schedules to this Agreement that may be disclosed in the Report
- 1.4 The Report shall be in such form as the Council may reasonably require
- 1.5 The Grant Recipient shall deliver to the Project Monitor such information as the Council or the Project Monitor may reasonably require in support of the Report

2 Application for payment

2.1 Application for Payment of the Phase 1 Grant

2.1.1 An Application for Payment of 50% of the Phase 1 Grant shall be submitted to the Project Monitor by the Grant Recipient on the Phase 1 Start on Site Date confirming that the Start on Site Works have commenced. The Council will pay the grant monies within 28 days of the Application for Payment

2.1.2 The Grant Recipient may upon the Date of Practical Completion of the last Phase 1 Property submit a further application for payment in respect of Actual Programme Costs incurred during Phase 1 of the Refurbishment Programme up to a maximum of 50% of the Phase 1 Grant) together with the Report and

2.2 Application for Payment of the Phase 2 Grant

2.2.1 An Application for Payment of 50% of the Phase 2 Grant shall be submitted to the Project Monitor by the Grant Recipient on the Phase 2 Start on Site Date confirming that the Start on Site Works have commenced. Subject to 2.2.3 below the Council will pay the grant monies within [28] days of the Application for Payment

2.2.2 The Grant Recipient may upon the Date of Practical Completion of the last Phase 2 Property submit a further Application for Payment in respect of Actual Programme Costs incurred during Phase 2 of the Refurbishment Programme up to a maximum of 50% of the Phase 2 Grant together with the Report

2.2.3 It is hereby agreed by the Parties that the Council may not be obliged to make a payment of grant funding in respect of a Phase 2 Application for Payment unless all Properties in Phase 1 have achieved Practical Completion within the Agreed Timescale

2.3 The Application for Payment shall be signed by one of the Key Personnel or such other person as the Council (acting reasonably) may agree

- 2.4 The Application for Payment shall be made in such form as the Council may reasonably require
- 2.5 The Grant Recipient shall keep in one location the documentation required to verify the accuracy of the Application for Payment and shall permit the Council on giving reasonable notice and at reasonable times access to inspect such documentation
- 2.6 The Grant Recipient acknowledges that any delay in delivering the Report the Application for Payment or any information requested by the Council pursuant to this Schedule is likely to delay the payment of the Grant or any part of the Grant to the Grant Recipient
- 2.7 The Grant Recipient will if reasonably required by the Council or the Project Monitor meet with the Council or the Project Monitor in order to review verify and discuss the Report or the Application for Payment
- 2.8 The Grant Recipient will permit the Council and the Project Monitor access to the Property in order to inspect the Properties discuss the Report and/or the Application for Payment and shall if required (on reasonable notice) by the Council or the Project Monitor arrange for the Consultants or any of the Consultants required by the Council or the Project Monitor to be available at such inspection
- 2.9 The Grant Recipient shall deliver to the Council or the Project Monitor such information as the Council or the Project Monitor may reasonably require in support of the Application for Payment

3 Payment of the Grant

- 3.1 Without prejudice to the Council's rights to withhold the payment of the Grant under the terms of this Agreement the Council shall be under no obligation whatsoever to make a payment of the Grant or any part of the Grant until it is completely satisfied that such

payment will be in relation to Actual Programme Costs in respect of the Refurbishment Programme

The Council shall pay the Grant to the Grant Recipient in instalments each instalment to be paid within twenty eight days of receipt of the Application for Payment PROVIDED THAT the total aggregate of all the payments made by the Council in respect of the Actual Programme Costs shall not in any event exceed the Maximum Sum

3.3 Unless the Council otherwise agrees the Council shall not be liable to pay the Grant or any part of the Grant:

3.3.1 unless the Application for Payment :

3.3.1.1 are made in the form reasonably required by the Council and are signed by one of the Key Personnel;

3.4.1.1 relate to Actual Programme Costs in relation to which the Grant Recipient has not submitted any other Application for Payment to the Council; and

3.4.1.2 includes to the reasonable satisfaction of the Council evidence that the expenditure to which the Application for Payment have been incurred and that payment is due from the Grant Recipient

3.3.2 if an Event of Default has occurred and is continuing or if the Council believes acting reasonably that an Event of Default is likely to occur as a result of payment pursuant to such Application or is imminent

3.3.3 if any of the representations and warranties contained in this Agreement would be incorrect in a material respect if then repeated by reference to the facts and circumstances then subsisting

- 3.3.5 if the Council is not satisfied acting reasonably that the relevant Phase of the Refurbishment Programme in relation to which the Application for Payment has been made has been satisfactorily completed
- 3.4 If the Council shall determine that any expenditure previously defrayed and the subject of a prior Application for Payment are not Actual Programme Costs or if at any time the Council has paid more than it is liable to pay under any provision of this Agreement the Council shall be entitled to deduct the amount properly stipulated by the Council as having been overpaid from any further payments of any part of the Grant
- 3.5 The Council is not under an obligation to consider any obligation to make a payment in respect of any Application for Payment made on or after a date which is 28 days prior to the Longstop Date

SCHEDULE 2

Acknowledgments Representations and Warranties

Part 1

Agreed Principles

- 1.1. The Grant is being made available by the Council on the express understanding that it is applied solely for the purposes of funding the Actual Programme Costs in respect of the Refurbishment Programme
- 1.2. The Public Sector Subsidy including the Grant in respect of Refurbishment Programme may not exceed an amount equal to 30% of the Actual Programme Costs incurred by the Grant Recipient in respect of the delivery the Refurbishment Programme;

Part 2

Representations and Warranties

1. The Grant Recipient is duly incorporated under the law of England and Wales and has the corporate power to own its assets and to carry on the business which it conducts or proposes to conduct.
2. The Grant Recipient has the power to enter into and to exercise its rights and perform the Grant Recipient's Obligations under this Agreement
3. The Grant Recipient is not subject and will not become subject to any other obligation, compliance with which will or is likely to, have a Material Adverse Effect in relation to the Refurbishment Programme.
4. The Grant Recipient's obligations under this Agreement constitute legal, valid and binding obligations, enforceable in accordance with its terms.
5. The execution, delivery and performance by The Grant Recipient of this Agreement do not:

- 5.1. insofar as it is aware contravene any applicable law or directive or any judgement, order or decree of any court having jurisdiction over it;
- 5.2. conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which it is a party or any licence or other authorisation to which it is subject or by which it or any of its property is bound; or
- 5.3. contravene or conflict with its memorandum and articles of association or rules (as applicable) from time to time.
6. All Consents required in connection with the execution delivery issue validity or enforceability of this Agreement have been obtained (or will be obtained before or when required) and (where obtained) have not been withdrawn
7. To the best of the Grant Recipient's knowledge, no claim is presently being asserted and no litigation, arbitration or administrative proceeding is presently in progress or, to the best of its knowledge, pending or threatened against it or any of its assets which will or might have a Material Adverse Effect in relation to the Refurbishment Programme.
8. To the best of the Grant Recipient's knowledge, no proceedings or other steps have been taken and not discharged (nor, to the best of its knowledge threatened) for its winding-up or dissolution or for the appointment of a receiver, administrative receiver, administrator, liquidator or similar officer in relation to any of its assets or revenues and without limitation no Insolvency Event has occurred in relation to it.
9. No person having any Security over the Properties or any other assets of the Grant Recipient has enforced or given notice of its intention to enforce such security.
10. It is not aware, after due enquiry, of anything which materially threatens the success or Successful Completion of the intention or purpose of this Agreement.
11. All information documents and accounts submitted by the Grant Recipient to the Council were true and accurate as at the date on which the same were supplied and that no change

has occurred since the date on which such information was supplied which renders the same untrue or misleading in any material respect (save as may have been disclosed or updated or corrected by other information supplied to the Council) and that save as so disclosed updated or corrected there has been no material adverse change in its undertaking assets operations or prospects since such information was provided.

12. The Grant Recipient has disclosed to the Council all information which it reasonably believes would influence the Council in awarding the Grant to it or the amount thereof.
13. The Grant Recipient is not aware after due enquiry of anything which materially threatens the success or Successful Completion of the Refurbishment Programme or makes it unlikely.
14. No Event of Default has occurred and is continuing and save as notified to the Council the Grant Recipient is not aware of any Potential Event of Default.
15. The Grant Recipient has a Secure Legal Interest in the Properties or will have acquired a secure Legal Interest at the date of Application for Payment in respect of any grant monies to be spent on Works at those Properties
16. The representations and warranties contained in this Schedule shall be deemed to be repeated whenever payment of the Grant or any part of the Grant is made with reference to the facts and circumstances then pertaining

SCHEDULE 3

The Grant Recipient's Obligations

1 Consents

- 1.1 The Grant Recipient shall not carry out any work without having first obtained all necessary Consents for that work and in particular (but without prejudice to the generality of the foregoing) shall not carry out any work constituting development for which permission is required under the Town and Country Planning Act 1990 without detailed planning consent for that work having been obtained and if requested by the Project Monitor to produce to him such documents or copy documents as the Project Monitor may reasonably require to demonstrate satisfaction of its obligations under this paragraph
- 1.2 At all times throughout the Refurbishment Programme to comply with all Consents
- 1.3 The Grant Recipient shall apply for the Reserved Matters Approval within eight weeks of the Effective Date

2 Procurement

The Grant Recipient shall comply with all applicable Procurement legislation (including the Council's own procedure rules where notified to the Grant Recipient in writing) in connection with the procurement of any part of the Refurbishment Programme and promptly provide to the Council any information which the Council may reasonably require in order to satisfy itself that the Grant Recipient has done so

3 Indemnity

The Grant Recipient shall at all times fully and effectually indemnify the Council from and against any claims made against or losses incurred by the Council in connection with this Agreement including but not limited to any proceedings of any kind that may be suffered by the Council in connection with the payment of the Grant to the Grant Recipient

4 Practical Completion

4.1 The Grant Recipient shall give at least fourteen days' prior written notice to the Council of the date when they anticipate that the Date of Practical Completion of the Refurbishment Programme will occur

4.2 Immediately following the issue by its architect of a certificate of practical completion of the Refurbishment Programme (or any part of the Refurbishment Programme) the Grant Recipient shall furnish a copy thereof to the Council

5 Material alteration of the Refurbishment Programme

Not without the prior written consent of the Council to make any alterations or variations to the Refurbishment Programme

6 Dealings with this Agreement

Not to assign or transfer or otherwise dispose of the benefit of this Agreement other than pursuant to security

7 Notification by the Grant Recipient

The Grant Recipient shall notify the Council in writing:

7.1 as soon as practicable thereafter in the event of any material change in the information on costs (whether actual or estimated) of carrying out the Refurbishment Programme

and the Project provided for the appraisal of the Grant or the arising of any event which materially affects the continued accuracy of such information

- 7.2 as soon as practicable thereafter in the event of any receipt by the Grant Recipient of any other Public Sector Subsidy or the offer of the same in respect of the Refurbishment Programme
- 7.3 as soon as practicable thereafter of any event which is reasonably likely to materially and adversely affect the carrying out and completion of the Refurbishment Programme
- 7.4 forthwith on becoming aware of the occurrence of an Event of Default or of a Potential Event of Default

8 Provision of information

The Grant Recipient shall provide the Council with such information as the Council may reasonably require in connection with the Refurbishment Programme or any permitted variations thereto from the Start Date to the date on which the Companies have fulfilled all of their obligations under this Agreement

9 Inspection and audit facilities

The Grant Recipient shall permit the Council or persons authorised by the Council (in each case on giving reasonable notice and at reasonable times) to inspect the Property and to inspect audit and take copies of all reports books accounting records and vouchers relating to the Refurbishment Programme which the Council (acting reasonably) considers relevant and in particular (but without prejudice to the generality of the foregoing and the rights and obligations of either party) to inspect any works before the issue of any certificate of partial or practical completion and the Grant Recipient shall ensure that there is due regard to any observations made by or on behalf of the Council in particular in respect of any items which

are considered need to be done or remedied before the relevant certificate is issued Provided always that the Grant Recipient may exercise its professional judgement in a reasonable manner

10 Further assurance

At any time upon the written request of the Council the Grant Recipient shall promptly execute and deliver or procure the execution and delivery of any and all such further instruments and documents as may be reasonably necessary for the purpose of obtaining for the Council the full benefit of this Agreement and of the rights and powers herein granted

11 Good faith

The parties shall at all times act with good faith in their dealings with one another

12 Execution of the Refurbishment Programme

- 12.1 The Grant Recipient shall as soon as reasonably practicable procure the commencement and thereafter with all due expedition the carrying out and completion of the Refurbishment Programme in a good and workmanlike manner with good quality materials and substances of their respective kinds in accordance with all with the Consents and with due monitoring by the Grant Recipient of progress with a view to achieving Practical Completion within the Agreed Timescales
- 12.2 Following Practical Completion the Grant Recipient shall take all steps necessary to procure the remedy without delay of all defects in workmanship and materials which may then be found

13 Use of the Grant

The Grant Recipient will apply the Grant only for the carrying out of the Refurbishment Programme

14 No Borrowing etc.

14.1 The Grant Recipient will not without the Council's prior written consent (such consent not to be unreasonably withheld or delayed create or permit to subsist any Encumbrance on any of their interests assets or revenues (including in particular but without prejudice to the generality of the foregoing the Property)

15 Payment of Outgoings

The Grant Recipient shall pay and discharge all costs expenses and other amounts required to procure the due performance of its obligations under this Schedule including all amounts of Value Added Tax payable by the Grant Recipient

16 Meetings

The Grant Recipient shall give to the Project Monitor at least five days' prior written notice (or if this is not practicable as much notice as is possible) of any meeting where the Refurbishment Programme or any item pertaining to the Refurbishment Programme is to be discussed or is likely to be discussed and shall provide him with copies of the agenda for the meeting and copies of any papers to be discussed. A representative of the Council shall be permitted to attend any such meeting and participate in any discussions taking place (but not vote) and the Project Monitor shall be provided with copies of the minutes of all such meetings including any at which the Council is not represented

SCHEDULE 4

Events of Default

1 Insolvency

At any time:

- 1.1 an Insolvency Event has occurred in relation to the Grant Recipient; or
- 1.2 the Grant Recipient ceases to operate

2 Misuse of the Grant

The Grant Recipient applies the Grant other than in respect of the Refurbishment Programme and fails to repay the Grant within 30 days of a demand under paragraph 3.4 of Schedule 1

3 Breach of other obligations

At any time the Grant Recipient fails to perform and observe any obligation owed to the Council under this Agreement or under any deed or document supplemental to this Agreement or creating security pursuant to this Agreement and fails to remedy such failure within 30 days of notice from the Council requiring it to do so

Fraud

At any time the Grant Recipient has acted fraudulently in relation to this Agreement or the Refurbishment Programme

4 Material misrepresentation

At any time any representation or statement made by or on behalf of the Grant Recipient in this Agreement and/or the Grant Recipient's application for the Grant and/or in any document

referred to in or delivered under this Agreement is not true and accurate in any material respect when made or deemed repeated whether deliberately or not

5 Commencement and completion of the Works

The Refurbishment Programme has not been started and completed within the Agreed Timescales or such longer period (if any) as the Council at its absolute discretion may allow

7 Withdrawal etc. of Consents

Any Consent is withdrawn or revoked or expires or is modified or made subject to any condition which in the Council's opinion may materially or adversely affect the Grant Recipient's ability to perform and observe their obligations under this Agreement

8 Breach of Nominations Agreement

The provisions of the Nominations Agreement are not complied with

SCHEDULE 5

Eligible Programme Costs

The costs eligible for Grant funding under the terms of this Agreement are:

- a) the Programme costs associated with the acquisition of the Properties to be used as Social Housing
- b) the programme costs associated with the refurbishment of the Properties to the Refurbishment Standard]in respect of the heads of expenditure set out below

Heads of expenditure

1 Acquisition

1.1 Purchase price of the Properties

1.2 Stamp duty land tax on the purchase price of the Properties

2 Works

2.1 Such works as are notified in writing to and agreed by the Council in respect of each Property prior to the Start on Site Date for that Property

2.2 2.3 Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.

2.4 Additional costs associated with complying with party wall agreement awards (including fees charges and claims attributable to such works) where applicable

2.5 Unrecoverable VAT on the above (where applicable).

3 On costs

3.1 Legal fees and disbursements

3.2 3.3 Building society or other valuation and administration fees

3.4 Fees for building control and planning permission 3.5 Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.

3.

3.7 Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost).

3.8 Contract performance bond premiums

3.9 Borrowing administration charges (including associated legal and valuation fees).

3.10 An appropriate proportion of the administration costs of Grant Recipient

3.11 Irrecoverable VAT on the above.

SCHEDULE 6

PROPERTIES

[if addresses of properties known at the date of the agreement]

Executed as a deed by a
director, in the presence of:

Witness signature:

Witness name:

Witness address:

Witness occupation:

THE COMMON SEAL of **CITY OF LINCOLN COUNCIL**
was hereunto affixed in the presence of:-

Appendix 4

Right to Buy Replacement Programme Monitoring Table

Scheme Reference Number:		Period:	
Name of Organisation:			
Organisational Contact:			
Scheme inc. short description and unit numbers:			
Scheme Commencement Date:			
Development Period:			
Long Stop Date:			

Monitoring Report:

Please outline works completed within the current reporting period and expenditure occurred.
Please outline works to be completed within the next reporting period.
Where you have been unable to meet the terms of the agreement please detail:
1) Reasons for the delay 2) What actions have been undertaken to mitigate this. 3) Upcoming milestones

I confirm that this is an accurate record of the project funded by the Right to Buy Replacement Programme:

Name	
Position	
Signature	
Date	

45. Acquisition Policy Addendum

The Assistant Director of Housing Investment and Strategy

- a. presented the Council's Acquisition Policy and explained that it was implemented in June 2019.
- b. advised that a more streamlined process was required for the acquisition of private dwellings which were not former local authority dwellings, but were of strategic importance to the Council.
- c. added that now the Policy was in use, minor changes to the Acquisition Policy were required and asked for Policy Scrutiny Committees comments prior to submission to Executive.
- d. detailed the proposed amendments to Section 3 and Section 4 of the Acquisition Policy as detailed at paragraph 3.1 of the report and advised that these changes would bring the Policy in line with the process of acquiring former council dwellings.
- e. highlighted some minor amendments to the report since it was published.
- f. invited members questions and comments.

Comment – This was a good policy and it was important to buy freehold properties.

Response – The Council would consider buying leasehold properties but only if they were within a building that the Council already owned.

Question – Asked for clarification on the right to first refusal on a property?

Response – The right to first refusal only applied to former Council properties that were purchased under the right to buy scheme and the property was put on the market within 5 years.

Question – Would the properties be used for lettings or for the homeless?

Response – They would be used for both, some would be used for temporary accommodation for families instead of using B&B's.

RESOLVED that the proposed minor policy and process amendments to the Acquisition Policy be supported and referred to Executive for approval.

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SUBJECT: INTERIM AIR QUALITY ACTION PLAN FOR LINCOLN

DIRECTORATE: COMMUNITIES AND ENVIRONMENT

REPORT AUTHOR: IAN WICKS, POLLUTION CONTROL OFFICER

1. Purpose of Report

- 1.1 To request that Executive approves the adoption of the interim Air Quality Action Plan for Lincoln.

2. Executive Summary

- 2.1 The City of Lincoln Council currently has one declared Air Quality Management Areas (AQMA), which is in place due to non-compliance with the national annual mean air quality objective for nitrogen dioxide, a road traffic related pollutant.
- 2.2 Where a local authority has declared an AQMA, it has a duty to produce an air quality action plan (AQAP) aimed at improving pollution levels within the AQMA. The Council's current AQAP was produced in 2006 and requires updating to reflect the current air quality challenges within the city.
- 2.3 Due to the ongoing review of the Lincoln Transport Strategy (LTS) led by Lincolnshire County Council, it is proposed that an interim Air Quality Action Plan will be published detailing those measures that can be implemented, irrespective of the outcomes of the LTS review. It is further proposed that, once the review of the LTS is complete later this year, a full with review of the city's AQAP will follow, which will seek to take advantage of opportunities afforded by the updated LTS.

3. Background

- 3.1 The Environment Act 1995 places a duty on the Council to regularly review air quality within the city against a number of national air quality objectives. The objectives are human health based standards, seeking to protect the most vulnerable in society, i.e. the very young, the elderly and those with pre-existing conditions. Locations adjacent to the city's busiest roads have been found to have pollution levels above the national annual mean objective for nitrogen dioxide (NO₂).
- 3.2 Where an exceedance of the objectives is found to be likely, the 1995 Act requires the local authority to declare an Air Quality Management Area covering, as a minimum, all those areas where the objective is likely to be breached.
- 3.3 The Council currently has one Air Quality Management Area relating to NO₂. This AQMA was originally declared in 2001 but was reduced in size in 2018 to reflect improvements in air quality in many parts of the city. A map showing the existing NO₂ AQMA can be seen in Figure 1 of Appendix 1.

3.4 Where a local authority has declared an AQMA, it has a duty to produce an Air Quality Action Plan (AQAP) detailing measures that the Council and its partners (e.g. Lincolnshire County Council as highways authority) propose to implement with the aim of improving air quality within the AQMA.

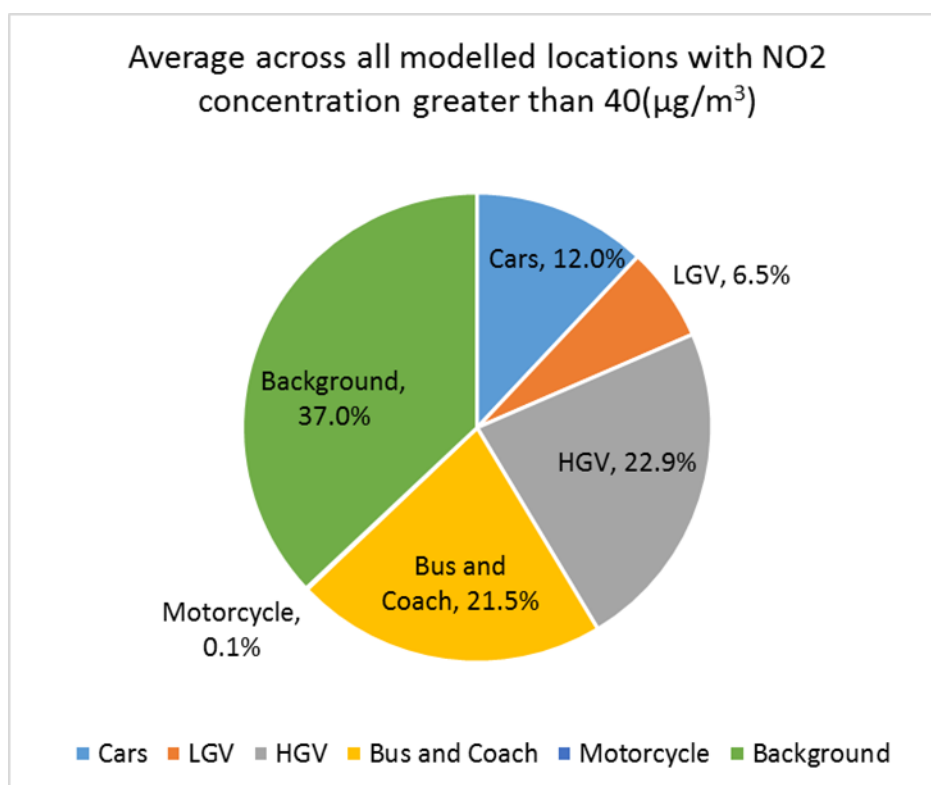
3.5 The City Council's current AQAP was produced in 2006 and is, therefore, in need of updating to reflect the revision to the AQMA boundary and the current air quality challenges affecting the city.

4. Details

4.1 A detailed modelling assessment of air quality was undertaken in 2018, to take account of recent changes in the road network, including the newly created East West Link Road and the Transport Hub, using updated traffic data from Lincolnshire County Council's revised road traffic model for Lincoln.

4.2 As part of the detailed modelling assessment, a source apportionment exercise was carried out to identify the principal pollution sources affecting air quality within the AQMA. This source apportionment exercise is an essential step in developing an Air Quality Action Plan as it enables the development of targeted improvement measures.

4.3 The source apportionment exercise identified that when considering the average NO_2 concentration at locations likely to exceed the annual air quality objective (i.e. concentrations greater than $40\mu\text{g}/\text{m}^3$), road traffic accounts for 63.0% of the total NO_2 levels. Of this total, it is estimated that HGVs account for 22.9% and buses and coaches account for 21.5%.



- 4.4 The results of the source apportionment exercise would, therefore, suggest that measures contained in any update of the Air Quality Action Plan should primarily seek to address road traffic contributions within the existing AQMA, with particular emphasis on reducing the contribution of HGVs and buses/coaches along the A15 as it passes through the centre of the city.
- 4.5 Due to the ongoing review of the Lincoln Transport Strategy (LTS), led by Lincolnshire County Council, it is expected that opportunities will arise to reduce transport related emissions throughout the city. However, until the outcomes of the LTS review are finalised, it is not known which road traffic related measures could feasibly be included in any Air Quality Action Plan.
- 4.6 In order to demonstrate the City Council's commitment to tackling air quality it is therefore proposed to adopt an interim Air Quality Action Plan, which concentrates on those improvement measures that can be implemented, irrespective of the outcomes of the LTS review. It is further proposed that once the review of the LTS is completed later this year, a full review of the city's AQAP will follow that seeks to take advantage of opportunities afforded by the updated transport strategy.
- 4.7 The key priorities of the interim Air Quality Action Plan therefore focus on both committed infrastructure schemes and measures that the City Council can implement directly and include:
- Priority 1 – Reduction in through traffic (*particularly in relation to HGVs*)
 - Priority 2 – Improvement in vehicle emissions regularly entering the AQMA (*e.g. the use of the taxi/private hire licensing regimes*)
 - Priority 3 – Manage development in a way that minimises any detrimental impact on the AQMA
 - Priority 4 – Improvements in the City Council's transport emissions (*e.g. adoption of a City Council travel plan and other measures to support a move away from single occupancy private vehicle use.*)
 - Priority 5 – Improvements in the City Council's non-transport related emissions (*e.g. reduction in domestic heating emissions and reductions through procurement practices*)
- 4.8 Due to the close association between air quality and climate change, the City Council's Low Carbon Task Force has provided a steering group role in terms of developing the interim Action Plan. It is intended that this group will also oversee the implementation and monitoring of the actions contained within the proposed interim Action Plan.
- 4.9 The proposed interim Action Plan, which is attached as Appendix 2, has also been subject to external consultation with statutory consultees and other external bodies, including:
- the Secretary of State
 - the Environment Agency

- Lincolnshire County Council (as the highways authority)
- North Kesteven DC and West Lindsey DC (as neighbouring authorities)
- Lincoln BIG and Lincolnshire Chamber of Commerce

Responses to this consultation are included within the appendices of the proposed interim AQAP.

- 4.10 If the interim AQAP is adopted, the Council and its partners will aim to progress each of the measures within the timeframes set out in the Plan and will report progress on each of the measures back to the Council's Low Carbon Task Force (the steering group). Progress on implementation will be reported annually in the Council's local air quality annual status reports.
- 4.11 The interim Air Quality Action Plan was presented to the Policy Scrutiny Committee on 20th August 2019 and no objections to plan were noted.

5. Strategic Priorities

5.1 Let's Enhance our Remarkable Place

The review and revision of the Council's existing Air Quality Action Plan is a key project detailed under this Vision 2020 priority.

The proposed measures contained within the Interim AQAP will assist in reducing emissions affecting the AQMA, and will contribute towards complying with the national air quality objectives.

Air pollution is recognised as being the largest environmental contributor to the burden of disease affecting the general population. Health impacts associated with air pollution include cardiovascular disease, lung cancer, respiratory disease, asthma and stroke. As such, any actions taken to reduce pollution levels within the city are likely to have a beneficial impact on the health of those living in and visiting the AQMA.

6. Organisational Impacts

6.1 Finance

The proposed measures contained within the AQAP do not result in any significant additional expenditure over and above any committed funding (e.g. housing stock boiler replacement programme).

6.2 Legal Implications including Procurement Rules

The Council has a legal duty under Part IV of the Environment Act 1995 to produce an Air Quality Action Plan. Adoption of the interim would therefore contribute towards the Council's compliance with this Act.

- 6.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

As the plan seeks to improve air quality then those most at risk of illness and disease from poor air quality should benefit from any actions introduced by the plan. These are most likely to be the younger (as the cardio thoracic systems are likely to be less well developed) and the older (who are more likely to be at risk of cardio thoracic illness) and those with cardio thoracic related disabilities.

An equality impact assessment is attached at Appendix 3

7. Risk Implications

- 7.1 (i) Options Explored

None – the requirement to produce an AQAP is a statutory duty.

- 7.2 (ii) Key risks associated with the preferred approach – There should be no significant risks associated with adopting the proposed interim Air Quality Action Plan.

Failure to have an adopted Action Plan in place would mean that the Council would not be complying with its duty under the Environment Act 1995.

In addition, the failure to implement the measures contained within the proposed interim AQAP, will potentially inhibit the Council's (and its partners) ability to improve air quality within the AQMA and reduce the associated burden on health.

8. Recommendation

- 8.1 That Executive note the contents of the report and approve the adoption of the interim Air Quality Action Plan.

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 (Appendix 1 – AQMA Map
Appendix 2 – Interim Air Quality Action plan)
Appendix 3 – Equality impact assessment

List of Background Papers: None

Lead Officer: Ian Wicks, Pollution Control Officer
Telephone (01522) 873794
Simon Colburn, Assistant Director
(01522) 873241

Figure 1 - NO₂ Air Quality Management Area



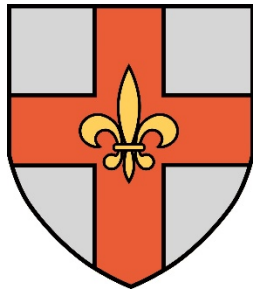
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Version 1: February 2018



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Appendix 2



CITY OF
Lincoln
COUNCIL

City of Lincoln Council Interim Air Quality Action Plan

In fulfilment of Part IV of the
Environment Act 1995
Local Air Quality Management

Date 2019

Local Authority Officer	Ian Wicks
Department	Directorate of Communities and Environment
Address	City Hall Beaumont Fee Lincoln LN1 1DF
Telephone	01522 881188
E-mail	environmental.health@lincoln.gov.uk
Report Reference number	CoLC Interim AQAP 2019
Date	June 2019

Executive Summary

This interim Air Quality Action Plan (AQAP) has been produced as part of our statutory duties required by the Local Air Quality Management framework. It outlines some of the actions we will take to improve air quality in Lincoln between 2019 and 2024. This Action Plan update is being issued as an interim document with a view to undertaking a further review of the Action Plan towards the end of 2019 to take account of the emerging Lincoln Transport Strategy (LTS) update, being led by Lincolnshire County Council.

The Action Plan updates the previous version of the plan issued in 2006. Projects implemented by the City Council, County Council and others that have contributed to the delivery of the 2006 action plan include:

- Development of the Transport Hub
- Using the planning regime to reduce impacts from development (e.g. by requiring the installation of electric vehicle recharge points)
- The Hirebike scheme set up through Access LN6 (now Access Lincoln)
- Traffic management schemes to reduce congestion around some of Lincoln's busier road junctions (e.g. Broadgate/Silver Street, Canwick Road/South Park) and rail crossings (development of the East-West Link Road)

Air pollution is associated with a number of adverse health impacts. It is recognised as a contributing factor in the onset of heart disease and cancer. Additionally, air pollution particularly affects the most vulnerable in society: children and older people, and those with heart and lung conditions. There is also often a strong correlation with equalities issues, because areas with poor air quality are also often the less affluent areas^{1,2}.

The annual health cost to society of the impacts of air pollution in the UK is estimated to be around £16 billion³. The City of Lincoln Council is committed to reducing the exposure of people in Lincoln to poor air quality in order to improve health.

¹ Environmental equity, air quality, socioeconomic status and respiratory health, 2010

² Air quality and social deprivation in the UK: an environmental inequalities analysis, 2006

³ Defra. Abatement cost guidance for valuing changes in air quality, May 2013

Due to the ongoing review of LTS, we have developed this interim plan to focus on measures that can be implemented irrespective of the LTS review outcomes. The proposed measures fall under the following broad topics:

- Policy guidance and development control
- Promoting low emission plant;
- Promoting low emission transport
- Promoting travel alternatives
- Traffic management
- Vehicle fleet efficiency

Our priorities include reducing the amount of HGVs passing through the city by supporting the implementation of the Lincoln Eastern Bypass; managing development in a way that minimises any detrimental air quality impact; and promoting more sustainable ways of travel.

In this AQAP we outline how we plan to effectively tackle air quality issues within our control. However, we recognise that there are a large number of air quality policy areas that are outside of our influence (such as vehicle emissions standards agreed in Europe), but for which we may have useful evidence, and so we will continue to work with regional and central government on policies and issues beyond the City of Lincoln Council's direct influence.

Responsibilities and Commitment

This AQAP was prepared by the Environmental Health (Pollution Control Team) of the City of Lincoln Council with the support of officers and members of the council's Low Carbon Task Force and officers from Lincolnshire County Council's local transport planning and strategic accessibility and growth teams.

This AQAP has been approved by:

<Details of Council committees who have approved the interim AQAP.

This AQAP will be subject to an annual review, appraisal of progress and reporting to the authority's Low Carbon Task Force and Policy Scrutiny Committee. Progress each year will be reported in the Annual Status Reports (ASRs) produced by the City of Lincoln Council, as part of our statutory Local Air Quality Management duties.

City of Lincoln Council

If you have any comments on this AQAP please send them to the Council's Environmental Health (Pollution Control) Team at:

City Hall, Beaumont Fee, Lincoln, LN1 1DF

Telephone: 01522 881188

Email: environmental.health@lincoln.gov.uk

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1 Introduction

This report outlines some of the actions that the City of Lincoln Council and its partners will seek to deliver between 2019 and 2024 in order to reduce concentrations of air pollutants and exposure to air pollution; thereby positively impacting on the health and quality of life of residents and visitors to the city. Further measures will be developed following the completion of the current review of the Lincoln Transport Strategy and will be added to the city's Air Quality Action Plan.

This interim AQAP has been developed in recognition of the legal requirement on the local authority to work towards Air Quality Strategy (AQS) objectives under Part IV of the Environment Act 1995 and relevant regulations made under that part and to meet the requirements of the Local Air Quality Management (LAQM) statutory process.

The Action Plan will normally be reviewed every five years at the latest and progress on measures set out within this Plan will be reported on annually within the City Council's air quality ASR.

2 Summary of Current Air Quality in City of Lincoln

Historically, there have been two Air Quality Management Areas (AQMAs) designated within the City of Lincoln; the Lincoln NO₂ AQMA was first designated in 2001 and revised in 2014 and covers the road network within the city centre and the major arterial routes, and the Lincoln PM₁₀ AQMA designated in 2008 which encompassed the entire city. Both AQMAs were associated with elevated road traffic emissions.

A Detailed Modelling Assessment finalised in March 2017 concluded that the existing NO₂ AQMA required amending with a new, smaller, boundary based around the city centre, and that the PM₁₀ AQMA should be revoked due to low monitored and modelled concentrations of this pollutant across the city. These recommendations were implemented in August 2018, with Orders being issued to formally amend the existing NO₂ AQMA and revoke the PM₁₀ AQMA in its entirety.

A further Detailed Modelling Assessment was undertaken in 2018, to take account of recent changes in the road network, including the newly created East West Link Road and the Transport Hub, using updated traffic data from Lincolnshire County Council's revised road traffic model for Lincoln. This assessment confirmed the need to retain the amended NO₂ AQMA and reiterated that the PM₁₀ objectives were being complied with throughout the city.

The City of Lincoln Council maintains an air quality monitoring network, utilising both continuous analysers and passive samplers to gather data on NO₂ and PM₁₀ levels within the city. Details of the monitoring and the current state of air quality within the city can be found in the Council's latest Annual Status Report, which can be viewed at <https://www.lincoln.gov.uk/resident/litter-public-land-and-flytipping/air-quality-and-pollution/>.

3 City of Lincoln Council's Air Quality Priorities

1.1 Public Health Context

Public Health England advise that air pollution is the largest environmental contributor to the burden of disease that can affect the general population. Health impacts associated with air pollution include cardiovascular disease, lung cancer, respiratory disease, asthma and stroke. Evidence suggests that these health impacts are felt disproportionately in the young, the elderly and those with existing conditions, as well as the most deprived within our communities.

The main risks are related to long-term exposure to particulate air pollution (PM_{2.5}) and nitrogen dioxide (NO₂). The evidence of the health impacts associated with elevated NO₂ has strengthened substantially in recent years. There is increasing evidence that links long-term exposure to NO₂ to mortality⁴.

It is estimated that, in the UK, the mortality burden of exposure to human-made air pollution has an annual effect equivalent to between 28,000 and 36,000 deaths a year. The annual health costs have been estimated, by Defra, to be in the region of £16 billion per year. As a comparison the health costs arising from obesity have been estimated to be around £10 billion per year.

1.2 Planning and Policy Context

The National Planning Policy Framework (NPPF)⁵ highlights the important role that land use planning has to play in improving and safeguarding the quality of the air we breathe.

Paragraph 170 of the NPPF confirms that *“planning policies and decisions should contribute to and enhance the natural and local environment”* and this should include *“preventing new and existing development from contributing to, being put at*

⁴ Committee on the Medical Effects of Air Pollutants (COMEAP) - Statement on the evidence for the effects of nitrogen dioxide on health. Available at <https://www.gov.uk/government/publications/nitrogen-dioxide-health-effects-of-exposure>

⁵ <https://www.gov.uk/government/publications/national-planning-policy-framework-2>

unacceptable risk from, or being adversely affected by, unacceptable levels of soil, air, water or noise pollution or land instability. Development should, wherever possible, help to improve local environmental conditions such as air and water quality, taking into account relevant information such as river basin management plans”.

Paragraph 181 goes on to state:

“Planning policies and decisions should sustain and contribute towards compliance with relevant limit values or national objectives for pollutants, taking into account the presence of Air Quality Management Areas and Clean Air Zones, and the cumulative impacts from individual sites in local areas. Opportunities to improve air quality or mitigate impacts should be identified, such as through traffic and travel management, and green infrastructure provision and enhancement. So far as possible these opportunities should be considered at the plan-making stage, to ensure a strategic approach and limit the need for issues to be reconsidered when determining individual applications. Planning decisions should ensure that any new development in Air Quality Management Areas and Clean Air Zones is consistent with the local air quality action plan.”

At a local level, the Central Lincolnshire Local Plan⁶, adopted in April 2017, sets out a vision and objectives for creating a prosperous, stronger and sustainable Central Lincolnshire. One of the stated overarching objectives of the Local Plan is:

“k. Pollution: To minimise pollution (air, noise and light) and improve air quality”.

Further to this, Policy LP26 (Design and Amenity) of the adopted Local Plan states:

“The amenities which all existing and future occupants of neighbouring land and buildings may reasonably expect to enjoy must not be unduly harmed by or as a result of development.

Proposals should demonstrate, where applicable and to a degree proportionate to the proposal, how the following matters have been considered, in relation to both the construction and life of the development:

⁶ <https://www.n-kesteven.gov.uk/central-lincolnshire/local-plan/>

...s. Adverse impact upon air quality from odour, fumes, smoke, dust and other sources.”

The Local Plan also supports, through a number of policies, the move towards sustainable modes of transport that will bring with them a beneficial impact on air quality.

The current Lincolnshire Local Transport Plan, LTP4⁷, and associated Lincoln Integrated Transport Strategy⁸ (LITS), recognise the importance of a sustainable transport strategy in achieving good air quality within the city. One of the stated objectives in the LITS, is:

“SO7: To improve overall air quality and noise levels within the study area, especially in the Air Quality Management Area in Lincoln, by the removal of unnecessary traffic by:

- Removing through traffic*
- Reducing local journeys by car*
- Other traffic management measures”*

The transport strategy for Lincoln is currently under review by Lincolnshire County Council and its partners with the view to issuing an updated strategy towards the end of 2019. With road traffic being the main contributor to exceedances within affected parts of the city (see 3.2 – Source Apportionment below), the outcomes of the revised LTS will clearly have the potential to significantly influence air quality within the AQMA and wider area.

The City of Lincoln Council is part of the East Midlands Air Quality Network, which is facilitated by Public Health England (East Midlands). Part of the work undertaken by EMAQN has been to produce a development guide⁹ that seeks to ensure that air quality and its associated health impacts are fully considered through the planning

⁷ <https://www.lincolnshire.gov.uk/transport-and-roads/strategy-and-policy/local-transport-plan/34380.article>

⁸ <https://www.lincolnshire.gov.uk/transport-and-roads/strategy-and-policy/lincoln-transport-strategy/81505.article>

⁹ East Midlands Air Quality Network 'Air Quality and Emissions Mitigation - Guidance for Developers (March 2019)'

process for new developments, including the cumulative impacts of the numerous small scale developments that may not have a significant impact on their own.

1.3 Source Apportionment

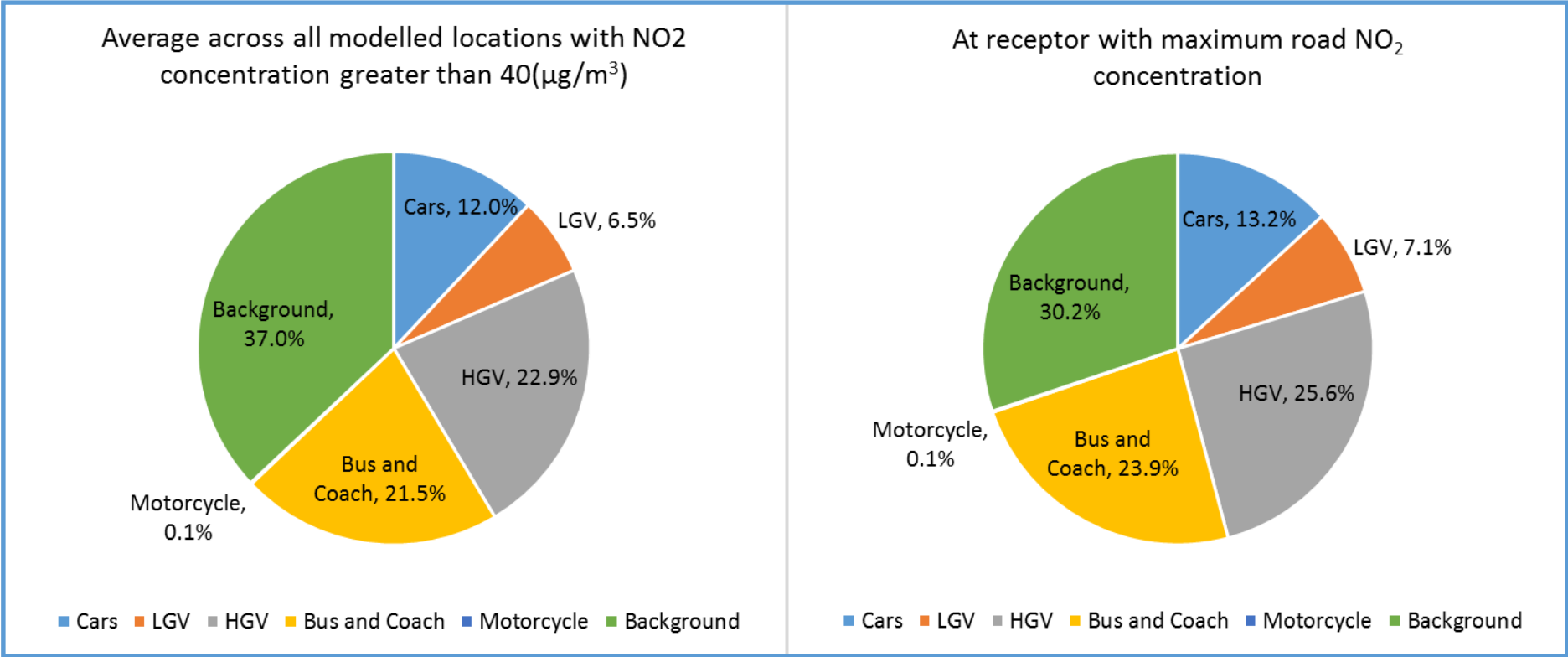
The AQAP measures presented in this report are intended to be targeted towards the predominant sources of emissions within the City of Lincoln Council's area.

A source apportionment exercise was carried out by the City Council as part of its most recent Detailed Modelling exercise in 2018. This identified that within the AQMA, the percentage source contributions were as detailed in Figure 3.1 below.

Figure 3.1 shows that when considering the average NO₂ concentration at locations with a NO₂ concentration greater than 40µg/m³, i.e. above the annual air quality objective, the road traffic contribution accounts for 63.0% of the total NO₂. Of this total, HGVs account for 22.9% and buses and coaches account for 21.5%.

At the receptor with the maximum modelled road NO₂ concentration, road traffic accounts for 69.8% of the overall NO₂, with HGVs apportioned for 25.6% and buses and coaches a further 23.9%.

Figure 3.1 – Detailed Source Apportionment of NO₂ Concentrations



1.4 Required Reduction in Emissions

The detailed modelling exercise undertaken in 2018 predicted that the worst case receptor location, based on 2017 data, was on Canwick Road close to the junction with South Park (this location falls outside the existing Air Quality Management Area). The predicted annual mean concentration of NO₂ for 2017 at this location was 50.8µg/m³. As such, a reduction in NO₂ of 10.8µg/m³ would be required to comply with the national air quality objective of 40µg/m³ at this worst case receptor. This equates to a reduction in road contribution NO_x emissions of 34% (or 27.3µg/m³)¹⁰.

(N.B. It should be noted that no monitoring data was available for this predicted worst case location in order to verify the model outputs at the time of the modelling exercise. The nearest monitoring location was the Canwick Road continuous NO₂ analyser, which forms part of Defra's Automatic Urban Rural Network, approximately 135 metres to the north. Data from this monitoring station for 2017, showed significantly lower levels of nitrogen dioxide than those modelled for the worst case receptor and were compliant with the air quality objectives. This may be an indication that the model is over predicting at the modelled worst case receptor, although the Canwick Road AURN site will potentially be less influenced by the major junction. In order to check the accuracy of the model output at the Canwick Road/South Park junction, monitoring is now being undertaken at this modelled worst case receptor location. Three months of data was obtained from the new monitoring location at the end of 2018. The raw data has been annualised and bias adjusted, in accordance with the methodology recommended in Defra's Technical Guidance Note (LAQM.TG(16)), and the adjusted results indicate that the levels at this modelled worst case location are comparable to those monitored at the nearby AURN site and, therefore, are significantly less than predicted by the model, as well as being compliant with the air quality objectives.)

The worst case location within the existing Air Quality Management Area where monitoring data is available for verification is on Broadgate, which requires a reduction

¹⁰ Calculated using the methodology detailed Box 7.6 of LAQM Technical Guidance (TG16)

in NO₂ of 5.3µg/m³ in order to comply with the national air quality objective of 40µg/m³. This equates to a reduction in road contribution NO_x emissions of 21% (or 13µg/m³)¹¹.

1.5 Key Priorities

As summarised in section 3.3 above, the source apportionment exercise undertaken as part of the Council's latest detailed assessment confirms that road traffic is the most significant source of NO₂ at the receptor locations currently identified as exceeding the annual mean air quality objective. Furthermore, the 2018 detailed assessment highlighted that HGVs and buses/coaches are responsible for around 70% of the total road traffic contribution at these locations.

As such, the focus of the improvement measures over the next five years should primarily seek to address road traffic contributions within the existing AQMA, with particular emphasis on reducing the contribution of HGVs and buses/coaches along the A15 as it passes through the centre of the city. Whilst the developing LTS will seek to deal with these issues on a wider scale, the key priorities within this interim Air Quality Action Plan focus on both committed infrastructure schemes and measures that the City Council can implement directly:

- Priority 1 – Reduction in through traffic (*particularly in relation to HGVs*)
- Priority 2 – Improvement in vehicle emissions regularly entering the AQMA (*e.g. the use of the taxi/private hire licensing regimes*)
- Priority 3 – Manage development in a way that minimises any detrimental impact on the AQMA
- Priority 4 – Improvements in the City Council's transport emissions (*e.g. adoption of a City Council travel plan and other measures to support a move away from single occupancy private vehicle use.*)
- Priority 5 – Improvements in the City Council's non-transport related emissions (*e.g. reduction in domestic heating emissions and reductions through procurement practices*)

It is likely that additional priority measures will be developed as the review of the Lincoln Transport Strategy develops and, where appropriate, these will be included in subsequent revision of this AQAP.

¹¹ Calculated using the methodology detailed Box 7.6 of LAQM Technical Guidance (TG16)

In addition to the above priorities, there are a number of other ongoing actions that are supported by the City Council, its partners and other stakeholders that are likely to have a beneficial impact on the city's air quality. These additional improvement measures are listed in Appendix B of this report.

2 Development and Implementation of the City of Lincoln Council's AQAP

2.1 Consultation and Stakeholder Engagement

In developing this interim AQAP, we have liaised with other local authorities, agencies and business groups to improve local air quality. Schedule 11 of the Environment Act 1995 requires local authorities to consult the bodies listed in Table 4.1.

The responses to our consultation stakeholder engagement are given in Appendix A.

Table 2.1 – Consultation Undertaken

Yes/No	Consultee
Yes	the Secretary of State
Yes	the Environment Agency
Yes	Lincolnshire County Council (the highways authority)
Yes	North Kesteven DC and West Lindsey DC (neighbouring local authorities)
Yes	bodies representing local business interests and other organisations as appropriate

2.2 Steering Group

As part of developing this Action Plan, a steering group was set up to explore the actions that could be implemented to improve air quality within the Council's Air Quality Management Area and the city as a whole. This steering group will also oversee the implementation and monitoring of the actions contained within this and future revisions of the Action Plan.

Due to the close association between air quality and climate change, the steering group role forms part of the City Council's Low Carbon Task Force's agenda.

This group is chaired by the council's Major Developments Director and consists of officers covering the following service areas:

- regeneration and major developments
- procurement
- fleet management
- development control
- facilities management
- environmental protection
- housing maintenance and investment
- planning policy

The group also has member involvement from the Portfolio Holder for Remarkable Place and the Sustainability Advocate.

3 AQAP Measures

Table 5.1 shows the City of Lincoln Council's AQAP measures. It contains:

- a list of the actions that form part of the plan
- the responsible organisations who will deliver this action
- expected benefit in terms of pollutant emission and/or concentration reduction
- the timescale for implementation
- how progress will be monitored

(NB: Please see future ASRs for regular annual updates on implementation of these measures.)

Appendix B also contains an extract from the City Council's 2018 Annual Status Report which details progress on implementing a number of measures that have previously been identified as having a beneficial impact on air quality within the city.

Table 3.1 – Air Quality Action Plan Measures

Measure No.	Measure	EU Category	EU Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Comments
1	Lincoln Eastern Bypass	Traffic Management	Strategic highway improvements	Lincolnshire County Council	2011-2015	2016-2020	Change in AADT, including split for HDV/LDV on Broadgate	2.5µgm ⁻³ reduction at Broadgate (A15) monitoring location (see comments)	Construction commenced at the end of 2016. Project due to be completed May 2020.	May 2020	The target pollution reduction is based on the “with” and “without” LEB scenarios contained within the Council’s latest detailed air quality assessment.
2	Adopt and implement East Midlands Air Quality Network’s ‘Air Quality and Emissions Mitigation – Planning Guidance’	Policy Guidance and Development Control	Air Quality Planning and Policy Guidance	City of Lincoln Council	2016-2018	From March 2019 onwards	% of planning approvals issued in accordance with development guidance.	Not quantified	The final draft of the guidance document was issued by EMAQN in July 2018 and was updated in March 2019.	Ongoing following adoption of guidance	East Midlands Air Quality Network (EMAQN) is a group of environmental health, public health, planning and transport professionals who aim to improve air quality across the East Midlands
3	Review of Taxi Licencing Policy to include Emission Controls	Promoting Low Emission Transport	Taxi Licencing Conditions	City of Lincoln Council	Dec 2018 to March 2019	From April 2019 onwards	% of private hire/taxi vehicles meeting Euro 6 (diesel) and Euro 4 (petrol) emissions standards or better	Not quantified*	None	Ongoing following adoption of revised policy	* Baseline emissions data for existing fleet requires calculating
4	Eco recognition scheme for taxi/private hire vehicles	Vehicle Fleet Efficiency	Fleet efficiency and recognition schemes	City of Lincoln Council	Dec 2018 to March 2019	From July 2019 onwards	% of private vehicles/taxis registered with the recognition scheme	Not quantified	None	Ongoing following adoption of scheme	

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Measure No.	Measure	EU Category	EU Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Comments
5	Review and implement CoLC Travel Plan	Promoting Travel Alternatives	Workplace Travel Planning	City of Lincoln Council	October 2018 Summer 2019	Autumn 2019	Specific indicators to be established as part of the Travel Plan review	Not quantified	Review agreed by Corporate Management Team in October 2018	Ongoing following adoption of travel plan	Travel Plan last reviewed in 2013. Revised plan will be accredited by external body.
6	Develop and implement an air quality guide to supplement CoLC's Social Value Procurement Policy	Policy Guidance and Development Control	Sustainable Procurement Guidance	City of Lincoln Council	April 2019 to July 2019	August 2019 onwards	Specific indicators to be established as part of the development of the guide.	Not quantified	None	Ongoing following adoption of agreed guidance	
7	Boiler Replacement Program for Council Housing Stock	Promoting Low Emission Plant	Public Procurement of stationary combustion sources	City of Lincoln Council	Completed	Ongoing	% of total no. of Council's housing stock fitted with low NOx boilers	Not quantified	73.4% Boilers replaced with low NOx boilers since the start of the program	Ongoing replacement program	Funding for replacement program is secured and ring-fenced, with 400 replacements scheduled for 2019/2020.
8	Prepare a City of Lincoln Electric Vehicle Recharging Strategy	Promoting Low Emission Transport	Procuring alternative Refuelling infrastructure to promote Low Emission Vehicles, EV recharging, Gas fuel recharging	City of Lincoln Council	April 2019 to December 2019	January 2020 onwards	Specific indicators to be established as part of the development of the strategy	Not quantified	None	Ongoing following adoption of agreed strategy	
9	Adoption of individual and business travel plans	Promoting Travel Alternatives	Personalised and workplace travel planning	Lincolnshire County Council and Lincoln Big	Completed	Ongoing	To be confirmed	Not quantified	To be confirmed	Ongoing	

- ***Measure No.1 – Lincoln Eastern Bypass***

The Lincoln Eastern Bypass (LEB), which is currently under construction, is due to be completed in May 2020.

The City Council's 2018 detailed air quality assessment included modelling of pollution levels within the city's AQMA and connecting roads for the year 2021 (i.e. the first full year after the completion of the LEB) for two scenarios – one with the LEB in place and one without. The air quality model predicted that out of the 200 modelled receptor locations, 156 receptors are predicted to see improvements in NO₂ levels following the introduction of the LEB, with the greatest benefits being seen at locations on the A15 within the AQMA. At the remaining 44 receptor locations, 25 are likely to see no change in NO₂ concentrations and 19 receptors are predicted to experience slight increases following the opening of the LEB.

The detailed assessment predicts that the introduction of the LEB will reduce the annual mean concentration at the worst case receptor within the AQMA by 2.8µgm⁻³, a reduction of around 8.7%.

- ***Measure No.2 – Adoption of air quality and development guide***

All new developments have the potential to affect air quality within Lincoln's AQMA and the wider city, which can be to the detriment of the health of the city's population. Local planning policy and development management decisions therefore have a key role to play in ensuring that the city grows in a way that is sustainable in terms of the air we breathe.

Developing and implementing technical planning guidance, can help to:

- Provide a clear and consistent process for developers, planners, local communities and their representatives.

- Formalise an air quality assessment process that includes the quantification of impacts, determining damage costs and identifying mitigation measures to be implemented to negate any negative impacts;
- Address cumulative impacts from small and medium scale developments that might otherwise be left unmitigated;

The East Midlands Air Quality Network (EMAQN), a group of environmental health, public health and transport professionals in the East Midlands, has produced technical air quality and planning guidance to supplement the National Planning Policy Framework, which seeks to address the above points in a consistent way across the east midlands region.

• ***Measure No.3 - Review of Taxi/Private Hire Licencing Policy to include Emission Controls***

Taxis and private hire vehicles are likely to pass through the city's AQMA during many of their trips around the city centre. As such, they have the potential to have a notable impact on air quality within the AQMA, dependent on the type and age of vehicle.

The Council's taxi/private hire vehicle licensing policy is currently due to be reviewed and, therefore, there is an opportunity to use a revised policy to drive improvements in the taxi/private hire fleet emissions. For example, this could include the introduction of vehicle age limits or the requirement for certain Euro Standards for licenced vehicles.

The Low Carbon Vehicle Partnership and Energy Saving Trust have produced '[The Low Emission Taxi Guide](#)' which provides advice for local authorities on how to implement low emission schemes for taxi and private hire vehicles. The guide includes case studies from local authorities that have already sought to address this emission source, including one within the East Midlands area. This document will be used to inform the licensing review in terms of reducing fleet emissions of nitrogen dioxide.

- ***Measure No.4 - Eco-recognition scheme for taxi/private hire vehicles***

To go hand in hand with any improvements sought through a revised taxi/private hire licensing policy, there is scope to introduce a recognition scheme for low /ultra-low emission vehicles. For example, certificates or signs could be provided for display in or on qualifying vehicles, or on company websites, so that customers are aware that they are using a low emission vehicle and are helping to reduce their journey's air quality impact within the city.

- ***Measure No. 5 - Review and implement CoLC Travel Plan***

Many of the trips made in connection with the Council's services, including staff coming to and from their place of work, will involve travel through the city's AQMA.

To ensure that there is an opportunity for these trips to be made in a sustainable way that reduces the impact on the environment, the Council will produce and implement an up to date travel plan. A review of staffs' travel choices has already commenced using an online survey to establish base line data, which will subsequently inform the review of the travel plan. An important component of any successful travel plan is the inclusion of performance indicators to assess the success or otherwise of the adopted travel plan measures. Once these targets are adopted, they will be incorporated into the Air Quality Action Plan.

- ***Measure No. 6 - Develop and implement an air quality guide to supplement CoLC's Social Value Procurement Policy***

The Council's Social Value Procurement Policy highlights the impact that the procurement process can have on mitigating the effects on the environment, for example by considering the need to reduce traffic emissions and the environmental performance of suppliers.

It is, therefore, proposed to produce a technical guidance document to supplement the Social Value Procurement Policy that can be used by officers procuring relevant

services, contracts, equipment etc. to enable them to assess air quality impacts in a consistent, transparent and proportionate way.

- ***Measure No.7 - Boiler Replacement Program***

Although the principal source of NO₂ within the AQMA is road traffic related, efforts to reduce background contributions will also have a beneficial impact. One significant background source is domestic heating. The City Council currently has in excess of 7600 housing stock requiring heating. Upgrading each of these boilers to low NO_x boilers will, therefore, have a positive effect in reducing background NO₂ levels.

The City Council is implementing a boiler upgrade program, which is subject to committed ring-fenced funding. To present, around 5600 upgrades have been completed, with a further 400 replacements planned for 2019/20.

- ***Measure No.8 – Electric Vehicle Re-charging Strategy***

One of the principal challenges for the uptake of electric vehicles, particularly for residents who do not have access to their own dedicated off-street parking, is the ready accessibility of vehicle recharge points.

The City Council, therefore, proposes to develop a strategy during 2019 that will seek to explore the options for providing electric vehicle recharge infrastructure within the city, with the aim of enabling ready access to recharge points for a growing number of electric vehicles.

- ***Measure No.9 – Promotion of personalised and work place travel plans***

Many of the trips made by those working, living and visiting the city, will necessitate travel through the city's AQMA.

The use of personalised and workplace travel plans can help people make these journeys in a sustainable way that reduces air quality impacts, promotes active travel and reduces exposure to pollution. Access Lincoln and Lincoln BIG have commenced work on promoting personalised and work based travel planning using a combination of online tools (<https://accesslincoln.co.uk/travel-planning/>) and direct interactions.

6 Next Steps

The City Council and its partners will aim to progress each of the measures within the timeframes set out in Table 5 above and will report progress on each of the measures back to the Council's Low Carbon Task Force (the steering group). Progress on implementation will also be reported annually to the Council's Policy Scrutiny Committee, as well as being published in the Council's local air quality annual status reports.

As stated above, a full review of the Air Quality Action Plan will be undertaken following completion of the Lincoln Transport Strategy review, towards the end of 2019. This full review of the AQAP will consider all the potential options presented by the revised LTS.

Appendix A: Response to Consultation

Table A.1 – Summary of Responses to Consultation and Stakeholder Engagement on the AQAP

Consultee	Category	Response
Lincolnshire County Council	Highways Authority	<p>No objections to the interim action plan and made the following observations:</p> <ul style="list-style-type: none"> • This Authority would fully support the measures proposed where they relate to transport issues. The Lincoln Eastern Bypass is currently under construction and due for completion in May 2020. The work undertaken last year by yourselves as part of the Detailed Modelling Assessment highlights the beneficial affect that this scheme is expected to have on air quality within the city centre. • A full review of the Lincoln Transport Strategy is currently underway with a view to adopting an updated strategy later this year. Whilst the precise detail of the strategy have yet to be developed, it is highly likely that many of the measures proposed will have a beneficial impact on air quality, for example, by encouraging the use of more sustainable modes of travel or perhaps more direct traffic management measures to reduce traffic flows or speeds. • Your authority has already been heavily involved in the ongoing development of the new Lincoln Transport Strategy and this engagement will no doubt continue over the coming months as the details of the proposed measures and initiatives emerge. As you rightly point out, once the Strategy has been finalised, it would then seem the appropriate point at which to carry out a full review of the Air Quality Action Plan so that this can be more properly reflected.
North Kesteven District Council	Neighbouring local authority	Agree with the proposed measures and no adverse observations.

Environment Agency	Public body and environmental regulator	<p>No objections to the interim action plan but included the following observations:</p> <ul style="list-style-type: none"> • It is important to note that we are not aware of any waste facilities or other industrial installations regulated by the Environment Agency in the City of Lincoln that are causing or contributing to failures of air quality standards. • Air quality policies must work in partnership with transport policies but also the authorities' own fleet procurement policies. • Any new development, particularly in air quality hotspots, will need to consider how they mitigates the impacts of poor air quality, both during the construction and operational phases of the development. • Major developments planned within the authority will need to significantly mitigate their emissions and thus contribute towards improving local air quality. This is particularly the case where they include potentially new sources of emissions such as biomass boilers, combined heat and power plants, and increased traffic-generated emissions. • Construction and demolition works should be required to meet or exceed the requirements set out in the Institute of Air Quality Management's Guidance on the Assessment of Dust from Demolition and Construction. • It is recognised that the City of Lincoln will need to work with others on the implementation of the measures necessary to address poor air quality as the matter is not confined to one planning authority area, and development is often governed by separate regulatory regimes and legislation, such as building regulations and environmental permitting. We are pleased to note that the City of Lincoln regularly participates in the East Midlands Air Quality Network with representatives from other local districts and boroughs.
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Appendix B: Progress on Measures to Improve Air Quality (as reported in CoLC's 2018 Annual Status Report)

No.	Measure	Focus	Lead Authority	Planning Phase	Implementation Phase	Indicator	Target Annual Emission Reduction in the AQMA	Progress to Date	Progress in Last 12 Months	Estimated Completion Date	Comments Relating to Emission Reductions
1	Road Network and Traffic Management Improvements	Lincoln Eastern Bypass	Lincolnshire County Council	2011-2015	2016-19	Change in AADT, including split for HDV/LDV on Broadgate	To be agreed	Planning permission granted; DfT funding contribution secured. Initial Public Inquiry held Feb 2015 with amended orders advertised late 2014. Further inquiry held August 2015 with Orders confirmed February 2016.	Construction commenced December 2016.	Winter 2019	Scheme will remove traffic from the A15 Broadgate/Canwick Road corridor with consequential improvements to air quality in declared AQMA
2	Road Network and Traffic Management Improvements	East-West Link	Lincolnshire County Council	2010-2014	2014-2106	To be agreed	Not known	Planning consent received in October 2012. Construction of Phase 1 (High Street to Canwick Road) commenced December 2014.	Scheme opened to traffic August 2016	Complete	The principal aim of this development is to address congestion caused by two rail crossings in the city centre

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3	Road Network and Traffic Management Improvements	North Hykeham Relief Road (formerly Lincoln Southern Bypass)	Lincolnshire County Council	2006	Not known	To be agreed	Not known	Preferred route declared for protection in December 2006.	Transport model updated. Outline Business Case in preparation for possible future funding bid when opportunity arises	Not known	
4	Road Network and Traffic Management Improvements	Traffic flow Management	Lincolnshire County Council	2007-2013	2008-2015	Change in vehicle queuing times	Not known	Broadgate/Silver Street/Clasketgate completed November 2008; Newark Road/Rookery Lane/Brant Road completed December 2013; Canwick Road/South Park completed July 2015. Further feasibility work undertaken in preparation for possible future funding bids.	Junction Improvement at Wragby Road/Outer Circle Drive/Wolsey Way currently under construction	Ongoing	
5	Road Network and Traffic Management Improvements	Cycling Infrastructure	Lincolnshire County Council	Ongoing	Ongoing	length of new cycleway	Not known	Network continues to be developed as funding allows	150m of cycleway linking Transport Hub and Cycle Hub at Lincoln Rail Station	Ongoing	

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6	Sustainable Transport Initiatives	Quality Bus Corridors	Lincolnshire County Council	2008	2011	% of buses on time	Not known	High Street Corridor completed December 2011	Further corridors will be considered after the opening of the Eastern Bypass	Dependent on implementation of Eastern Bypass	
7	Sustainable Transport Initiatives	Real-time Bus Passenger Information	Lincolnshire County Council	2006-2010	2008-2010	% of stops or routes with real-time info	Not known	Real time information is now available for all services provided by the three main operators within Lincoln	Real time feed now provided direct to Traveline. Information also displayed at new Transport Hub and available via commercial and operator-owned Apps.	Ongoing	
8	Sustainable Transport Initiatives	Bus Priority Measures at Traffic Signals	Lincolnshire County Council	2013	Ongoing	No. of signals with bus priority	Not known	A total of 8 signalised junctions across the City now incorporate bus priority technology.	A further 6 junction are due to be added to the system during 2018, included those on the new East-West Link	Ongoing	

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9	Sustainable Transport Initiatives	New Public Transport Interchange	City of Lincoln Council	2014	Sep-15	To be agreed	To be agreed	Indicative funding approved and planning approval obtained. Planning application submitted and consent granted 16th June 2016.	Work Commenced September 2016. Transport Hub opened	Jan-18	
10	Sustainable Transport Initiatives	Park and Ride	Lincolnshire County Council	Ongoing	Not known	Passengers carried	To be agreed	Some feasibility work completed. Funding issues still to be resolved. Smalls-scale Park and Ride commenced in Feb 2017 operated in partnership with Lincoln BIG, Waitrose and Stagecoach	Waitrose Park and Ride site used by 32,000 passengers during first 12 months of operation.	Ongoing	
11	Sustainable Transport Initiatives	Alternative Fuel Buses	Lincolnshire County Council	2012	2013-2014	No. of alternative fuel buses	To be agreed	Trial of biogas buses ended due to problems sourcing fuel.	-	Completed	
12	Sustainable Transport Initiatives	Linc Share - Car Share website	Lincolnshire County Council	2009	Ongoing	No. of people signed up to site	Not known	1354 Lincshare members as of June 2017	Local LincShare local site now subsumed into national LiftShare site.	Ongoing	
13	Sustainable Transport Initiatives	Access LN6 - Car Share website	Lincolnshire County Council	2012	2013	No. of people signed up to site	Not known	Merged with Lincshare in 2015.	See above	Completed	

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14	Sustainable Transport Initiatives	Access LN6 - Lincoln HireBike	Lincolnshire County Council	2012	2013-2020	No. of rentals and No. of registrants	Not known	Total of 26 bike stations in place.	Further 8 new/upgraded cycle stations provided. Electric bikes now available at some cycle stations.	2020	
15	Sustainable Transport Initiatives	Access LN6 - Personalised Travel Planning	Lincolnshire County Council	2013	2014	No. of single occupancy car journeys before/after PTP	Not known	Daily car use as single occupancy driver decreased from 20% to 15%	-	Completed	
16	Sustainable Transport Initiatives	Business Travel Plans	Lincolnshire County Council	Ongoing	Ongoing	No of businesses with adopted travel plans	Not known	A new online website was launched for businesses and organisations to develop travel plans themselves. This is being signposted by planning if conditioned	A new online website was launched for businesses and organisations to develop travel plans themselves. This is being signposted by planning if conditioned	Ongoing	
17	Sustainable Transport Initiatives	School Travel Plans	Lincolnshire County Council	2005	2012	No. of schools with approved travel plans	Not known	All 363 local authority schools have an adopted travel plan. An updated travel plan is required as part of the planning process for school improvements.	Work ongoing with Education Department on Sustainable Modes of Travel to School (SMOTS) strategy.	Ongoing	

City of Lincoln Council

18	Sustainable Transport Initiatives	Access LN6 - New bus services	Lincolnshire County Council	2012	2012-2015	Passengers carried	Not known	7.5% increase on Stagecoach 44/44a/66 and 12.4% increase on Stagecoach 29 (Jan-May 2011-2014) and 72.1% increase on PC Coaches 48/49 (Apr-Sep 2012-2014)	-	Completed	
19	Sustainable Transport Initiatives	Access LN6 - Hykeham Station improvements	Lincolnshire County Council	2013	2014	Passengers carried and frequency of trains	Not known	Improvement of facilities leading to patronage increase from 23,262 in 2009/10 to 71,056 in 2015/16. Number of weekly trains increased from 162 in Dec 2014 to 247 in Dec 2016	Car park extended through S106 agreement for adjacent residential development.	Completed	
20	Sustainable Transport Initiatives	Access LN6 - Sustainable Travel Grant for businesses	Lincolnshire County Council	2012	2013-2015	Amount of funding provided	Not known	35 businesses received £97,586.06	-	Completed	

City of Lincoln Council

21	Sustainable Transport Initiatives	Access LN6 - Cycle storage implementation	Lincolnshire County Council	2012	2013-2015	No. of cycle parking spaces provided	Not known	718 cycle parking spaces provided since 2012. 0 - £500k of funding has been awarded from DfT for the 'Access Lincoln' project, establishing more cycle parking spaces is an element within this	Grant funding provided for St Marks Retail Park to install secure cycle storage for 90 bikes. Partnership work with East Midlands Trains to install secure storage for 100 bikes at Lincoln Rail station	Completed	
22	Sustainable Transport Initiatives	Promotion of sustainable transport to work for City of Lincoln Staff	City of Lincoln Council	2010	Ongoing	Change in travel to work behaviour	Not known	Since 2010: Car sharing up by 15%; walking up by 5%; Cycling up 5%; Train increased by 1.5%; bus increase by 3%		Ongoing	CoLC will review and update the travel plan in 2018
23	Sustainable Transport Initiatives	Introduction of electric vehicles into City of Lincoln Council Fleet	City of Lincoln Council	2011	2013	No of electric vehicles in fleet	Not known	One electric vehicle introduced in 2013			

City of Lincoln Council

24	Sustainable Transport Initiatives	Smarter trip planning for CoLC fleet	City of Lincoln Council	2010	Ongoing	% reduction in CO ₂ e emissions from CoLC fleet	Not known	Since 2010: there has been 38.4% decrease in CO ₂ e emissions (This has reduced from 29% to 38.4% in the last twelve months.)	The council's fleet vehicles have been replaced by more fuel efficient vehicles but have opted not to invest in electric vehicles at this time.	Ongoing	
25	Sustainable Transport Initiatives	Provision of electric vehicle recharge points in CoLC car parks	City of Lincoln Council	2010	2012-13	No. of recharge points available in CoLC car parks.	Not known	Total of 18 recharge points installed with infrastructure in place to add a further 20 EVR points once demand is sufficient.	The new multi-storey car park includes 12 new EVR points with infrastructure in place to add a further 20 EVR points once demand is sufficient. A further two recharge points have been installed at The Lawn car park.	Further points may be considered depending on funding streams	
26	Sustainable Transport Initiatives	Provision of electric vehicle recharge point for CoLC fleet use	City of Lincoln Council	2012	2013	No. of recharge points available for CoLC fleet	Not known	Funding secured through Defra AQ grant 2012/13 and recharge point installed 2013	None	Completed	Data is being collected on

City of Lincoln Council

32	Reducing emissions from CoLC buildings	Energy efficiency measures to reduce natural gas consumption	City of Lincoln Council	2009	Ongoing	Gas consumption	Not known	CoLC gas consumption reduced by 31% since 2009 (This has reduced from 29% to 38.4% in the previous twelve months.)	CoL	Ongoing	
28	Sustainable Transport Initiatives	Promotion of car sharing to public	City of Lincoln Council	2007	2009	None	Not known	Defra AQ grant secured in 2008/09, signs installed 2009.	None	Completed	
29	Minimising the burden of new development	Develop Air Quality and Development Guide	City of Lincoln Council	2014	2015	To be agreed	To be agreed	Draft document produced October 2014 and circulated for internal consultation.	East Midlands Air Quality Network have issued developer's guide for consultation which is currently being considered for adoption by CoLC.	Ongoing	
30	Minimising the burden of new development	Requirement for proportionate air quality mitigation for all new relevant development	City of Lincoln Council	2014	Ongoing	To be agreed	To be agreed	Recommendation for provision of electric vehicle recharge points at all relevant development since October 2014, along with requirement to provide Construction Management Plan	Ongoing	Ongoing	

City of Lincoln Council

31	Air Quality Awareness Raising	Provision of publicly accessible air quality information	City of Lincoln Council	2007	Ongoing	None	Not known	Local air quality reports and information available through CoLC website	Relevant web page updated	Ongoing	
32	Reducing emissions from CoLC buildings	Energy efficiency measures to reduce natural gas consumption	City of Lincoln Council	2009	Ongoing	Gas consumption	Not known	CoLC gas consumption reduced by 31% since 2009 (This has reduced from 29% to 38.4% in the previous twelve months.)	No update available.	Ongoing	

Glossary of Terms

Abbreviation	Description
AQAP	Air Quality Action Plan - A detailed description of measures, outcomes, achievement dates and implementation methods, showing how the local authority intends to achieve air quality limit values'
AQMA	Air Quality Management Area – An area where air pollutant concentrations exceed / are likely to exceed the relevant air quality objectives. AQMAs are declared for specific pollutants and objectives
AQS	Air Quality Strategy
ASR	Annual Status Report
Defra	Department for Environment, Food and Rural Affairs
EU	European Union
LAQM	Local Air Quality Management
NO ₂	Nitrogen Dioxide
NO _x	Nitrogen Oxides
PM ₁₀	Airborne particulate matter with an aerodynamic diameter of 10µm (micrometres or microns) or less
PM _{2.5}	Airborne particulate matter with an aerodynamic diameter of 2.5µm or less

Equality with Human Rights Analysis Toolkit



Appendix 3

The Equality Act 2010 and Human Rights Act 1998 require us to consider the impact of our policies and practices in respect of equality and human rights.

We should consider potential impact before any decisions are made or policies or practices are implemented. This analysis toolkit provides the template to ensure you consider all aspects and have a written record that you have done this.

If you need any guidance or assistance completing your Equality and Human Rights Analysis contact:

Heather Grover, Principal Policy Officer on (87)3326; email: heather.grover@lincoln.gov.uk . Alternatively contact Legal Services on (87)3840

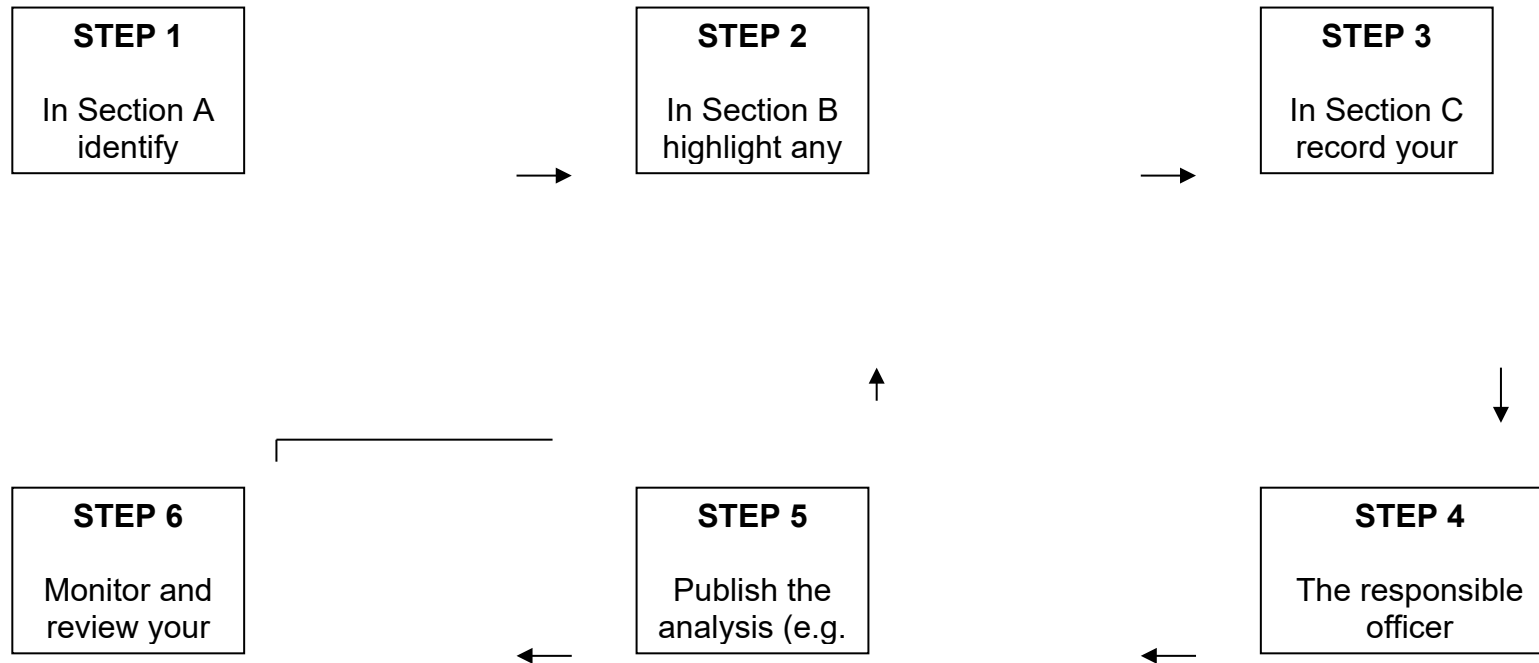
A diagram of the process you should follow is on page 2, and glossary and guidance to help you complete the toolkit can be found on pages 6-9.

Even after your policy, project or service has been implemented; it is recommended that analysis is undertaken every three years, and that this analysis is updated at any significant points in between. The purpose of any update is that the actual effects will only be known after the implementation of your policy, project or service. Additionally, area demographics could change, leading to different needs, alternative provision can become available, or new options to reduce an adverse effect could become apparent.

Useful questions to consider when completing this toolkit

1. What is the current situation?
2. What are the drivers for change?
3. What difference will the proposal make?
4. What are the assumptions about the benefits?
5. How are you testing your assumptions about the benefits?
6. What are the assumptions about any adverse impacts?
7. How are you testing your assumptions about adverse impacts?
8. Who are the stakeholders and how will they be affected?
9. How are you assessing the risks and minimising the adverse impacts?
10. What changes will the Council need to make as a result of introducing this policy / project / service / change?
11. How will you undertake evaluation once the changes have been implemented?

STEP BY STEP GUIDE TO EQUALITY ANALYSIS



* Evidence could include information from consultations*

SECTION A

Name of policy / project / service	Interim Air Quality Action Plan (2019)
Background and aims of policy / project / service at outset	<p>The City Council currently has one Air Quality Management Areas (AQMA) due to 'poor' air quality. This is where the air quality (in this case nitrogen dioxide, a road traffic related pollutant) does not comply with the national air quality objective.</p> <p>Where a local authority has declared an AQMA, it has a duty to produce an air quality action plan (AQAP) aimed at improving pollution levels within the AQMA.</p> <p>The AQAP contains a list of measures intended to improve the air quality within an AQMA. Some of those measures may already have commenced, some actively being pursued and some may not come to fruition.</p> <p>Any large project within an AQAP would have a EIA built into either the approval or the project planning Process.</p>
Person(s) responsible for policy or decision, or advising on decision, and also responsible for equality analysis	<p>Simon Colburn</p> <p>Assistant Director – Health and Environment</p>
Key people involved <i>i.e. decision-makers, staff implementing it</i>	

SECTION B

This is to be completed and reviewed as policy / project / service development progresses

	Is the likely effect positive or negative? (please tick all that apply)			Please describe the effect and evidence that supports this and if appropriate who you have consulted with*	Is action possible to mitigate adverse impacts?	Details of action planned including dates, or why action is not possible
	Positive	Negative	None			
Age	Y			As the plan seeks to improve air quality then those most at risk of illness and disease from poor air quality should benefit from any actions introduced by the plan. These are most likely to be the younger (as the cardio thoracic systems are likely to be less well developed) and the older (who are more likely to be at risk of cardio thoracic illness) and those with cardio thoracic related disabilities.	NA	
Disability including carers (see Glossary)	Y			As the plan seeks to improve air quality then those most at risk of illness and disease from poor air quality should benefit from any actions introduced by the plan. These are most likely to be the younger (as the cardio thoracic systems are likely to be less well developed) and the older (who are more likely to be at risk of cardio thoracic illness) and those with cardio thoracic related disabilities.	NA	
Gender re-assignment			-X-		NA	
Pregnancy and maternity			-X-		NA	
Race			-X-		NA	
Religion or belief			-X-		NA	
Sex			-X-		NA	

Sexual orientation			-X-		NA	
Marriage/civil partnership			-X-		NA	
Human Rights (see page 8)			-X-		NA	

**Evidence could include information from consultations; voluntary group feedback; satisfaction and usage data (i.e. complaints, surveys, and service data); and reviews of previous strategies*

Did any information gaps exist?	Y/N/NA	If so what were they and what will you do to fill these?
	N	Any major project or activity coming forward to improve air quality will have an EIA built in to either the approval process or the project planning process.

SECTION C

Decision Point - Outcome of Assessment so far:

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Based on the information in section B, what is the decision of the responsible officer (please select one option below):

Tick here

- **No equality or human right Impact** (your analysis shows there is no impact) - sign assessment below [X]
- **No major change required** (your analysis shows no potential for unlawful discrimination, harassment)- sign assessment below []
- **Adverse Impact but continue** (record objective justification for continuing despite the impact)-complete sections below []
- **Adjust the policy** (Change the proposal to mitigate potential effect) -progress below only AFTER changes made []
- **Put Policy on hold** (seek advice from the Policy Unit as adverse effects can't be justified or mitigated) -STOP progress []

Conclusion of Equality Analysis (describe objective justification for continuing)	
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When and how will you review and measure the impact after implementation?*	Any major project or activity coming forward to improve air quality will have an EIA built in to either the approval process or the project planning process.
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Checked and approved by responsible officer(s) (Sign and Print Name)	Simon Colburn	Date	6 September 2019
Checked and approved by Assistant Director (Sign and Print Name)	Simon Colburn 	Date	6 September 2019

When completed, please send to policy@lincoln.gov.uk and include in Committee Reports which are to be sent to the relevant officer in Democratic Services

The Equality and Human Rights Commission guidance to the Public Sector Equality Duty is available via: www.equalityhumanrights.com/new-public-sector-equality-duty-guidance/

46. Interim Air Quality Action Plan for Lincoln

The Strategic Director of Communities and Environment

- a. presented the proposed interim Air Quality Action Plan for comments prior to referral Executive.
- b. advised that the City of Lincoln Council currently had one declared Air Quality Management Areas (AQMA), which was in place due to non-compliance with the national annual mean air quality objective for nitrogen dioxide, a road traffic related pollutant.
- c. explained that when a local authority had declared an AQMA, it had a duty to produce an air quality action plan (AQAP) aimed at improving pollution levels within the AQMA. The Council's current AQAP was produced in 2006 and required updating to reflect the current air quality challenges within the city
- d. advised that due to the ongoing review of the Lincoln Transport Strategy (LTS) led by Lincolnshire County Council, it was proposed that an interim Air Quality Action Plan would be published detailing those measures that could be implemented, irrespective of the outcomes of the LTS review.
- e. advised that when the LTS was complete it was proposed to review the AQAP to seek to take advantage of the opportunities afforded by the updated LTS.
- f. highlighted the key priorities of the interim Air Quality Action Plan as detailed at paragraph 4.7 of the report.
- g. advised that due to the close association between air quality and climate change, the City Council's Low Carbon Task Force had provided a steering group role in terms of developing the interim Action Plan. It was proposed that the group would oversee the implementation and monitoring of the actions contained within the proposed interim Action Plan.
- h. advised that Equality and Diversity had been considered and the report to Executive would be updated to reflect this, also an Equality Impact Assessment would be produced for each action on interim Air Quality Action Plan.
- i. invited members questions and comments.

Comment – Staff should be encouraged to cycle to work.

Response - There was a cycle to work scheme where staff could purchase a bike and the payment would be deducted from their wages over a year.

Question – Would areas around schools and nursery's where there was standing traffic be a focus point to be looked at?

Response – Only the area in Broadgate exceeded the national limits and this was only at certain times of the day. The Lincoln Transport Strategy would make a significant difference to the traffic movement in the city and this policy would be reviewed once the Lincoln Transport Strategy was in place.

Question – Referred to priority 2 and asked how would taxi drivers be encouraged to use lower emissions vehicles as this would be expensive.

Response – It would be a requirement over a period of time.

Question – Could there be a limit on heavy goods vehicles going through the City Centre?

Response – It could be considered by the County Council as part of the Lincoln Transport Strategy once the by-pass was in place.

Comment – The cycle infrastructure needed improving to encourage people to use their bikes, there was currently limited places to lock up bikes.

Question – Had Officers spoken with Stagecoach regarding the use of old buses?

Response – Officers had regular meetings with Stagecoach, they had recently gone through an extensive bus replacement programme. There were a few old buses left on their fleet but they were moving towards new buses.

RESOLVED that the contents of the report be noted and referred to Executive for approval.

SUBJECT:	EXCLUSION OF THE PRESS & PUBLIC
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	CAROLYN WHEATER, MONITORING OFFICER

1. Purpose of Report

- 1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

2. Recommendation

- 2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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