

AUDIT COMMITTEE

Tuesday, 17 November 2020

6.00 pm

Virtual Meeting

- Membership: Councillors Geoff Ellis (Chair), Laura McWilliams (Vice-Chair), Thomas Dyer, Gary Hewson, Jackie Kirk, Rebecca Longbottom and Bill Mara
- Substitute member(s): Councillors Pat Vaughan
- Independent Member: Jane Nellist
- Officers attending: Paul Berry, Democratic Services, Jaclyn Gibson, Heather Grover, John Scott and Colleen Warren

Virtual Meeting

To join this virtual meeting please use the below link:

<https://zoom.us/j/95151218343?pwd=cnNSVGw4cNhhNXZzazZHcmdBT1ZmZz09>

Passcode: 401711

Alternatively, please join the meeting via telephone by calling 0330 088 5830 using the following ID:

951 5121 8343

Passcode: 401711

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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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- Present:** Councillor Geoff Ellis (*in the Chair*)
- Councillors:** Laura McWilliams, Thomas Dyer, Gary Hewson, Jackie Kirk, Rebecca Longbottom and Bill Mara
- Independent Member:** Jane Nellist
- Also in Attendance:** Mark SurrIDGE
- Apologies for Absence:** Colleen Warren

61. Confirmation of Minutes - 27 August 2020

RESOLVED that the minutes of the meeting held on 27 August 2020 be confirmed.

62. Declarations of Interest

No declarations of interest were received.

63. Information Management Update

Sally Brooks, Data Protection Officer:

- a) presented a report to update Audit Committee on progress made with Information Management monitoring the councils compliance with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)
- b) highlighted that update reports were submitted to Audit Committee on a bi-annual basis, given the implementation of GDPR in May 2018 and compliance now becoming business as usual for the council
- c) reported that due to the coronavirus pandemic a report had not been provided since September 2019, and in March the Information Commissioner's Office (ICO) confirmed that delays on data protection requests were understandable during the pandemic when resources were focused elsewhere on the response and that they would take this into account in any enforcement action
- d) advised that Information Management resources had been utilised in the governance arrangements surrounding the increased sharing of data required in the response to the pandemic, whilst continuing to ensure data protection compliance
- e) explained that the Audit team completed a report on Information Management and the GDPR in June 19 and gave the council 'substantial assurance' for its Information management and Information governance arrangements
- f) outlined a number of recommendations made for improvements by the Audit team as detailed at paragraph 3.3 of the report which had now been completed with further work planned

- g) reported on continuous resources required to ensure compliance with data protection laws was business as usual for the council as detailed at paragraph 3.4 of the report
- h) highlighted that In 2019 there was a significant 172% increase in data protection requests likely due to an increase in public awareness of individual's data rights following implementation of the GDPR
- i) reported on work completed in relation to contracts as detailed at paragraph 4 of the report
- j) further reported on data protection training underway by the council at paragraph 5 of the officers report which was a legal requirement under the GDPR and the ICO
- k) updated members of Audit Committee in relation to progress made with Information Management in the following areas:
 - Policies
 - Implementation of 365
 - Increased Home Working
 - Brexit
- l) reported that the Annual Governance Statement (AGS) status for Information Governance had been downgraded from Red to Amber due to progress made in the implementation of the GDPR and had since been removed from the AGS although remained a 'watching item' to be monitored by High Performing Services Group
- m) requested that the report and outcome of the audit be noted by members
- n) invited members' questions and comments.

Question: when members of staff left the authority, was their account deleted?

Response: Yes, a process for deletion was in place.

Question: In relation to the 365 implementation, could teams be FOI'd?

Response: All information on Microsoft Teams had the potential for FOI and DPA requests.

Question: How were the phone lines monitored with people working from home?

Response: All staff had received instructions on transferring phones to mobiles which were monitored from office phones.

Question: in relation to the 172% increase in data protection requests, was there still an adequate timescale of 20 working days?

Response: Office 365 would assist and allow automated email searches. Discussions regarding the structure were to be put in place for people who dealt with FOI's in their area.

Members welcomed progress being made in respect of the recommendations provided within the report.

Question: If someone signed into a team meeting as a guest, was the meeting still audited if it wasn't hosted by the City of Lincoln Council?

Response: The meeting would not be recorded unless the person hosting the meeting recorded it. The meeting could be recorded however everybody would need to be in agreement and it would need to be recorded for a purpose i.e. training other officers.

Members requested an update on Office 365 to be provided at the next meeting. Officers were in agreement with providing an update however felt that it would be better to provide it in 6 months' time once the structure had improved.

Question: How was data for grants dealt with?

Response: It was automated on the 365 system and staff were notified when a search had been carried out.

Question: What were the most popular type of FOI requests that were received?

Response: Officers agreed to bring a list of the most common type of FOI requests that were received to a future meeting.

RESOLVED that:

1. An update on Office 365 be provided in 6 months.
2. A list of common FOI requests be presented to members at the next meeting
3. The content of the report be noted.

64. Annual Complaints Summary Report 2019-2020

Joanne Crookes, Customer Services Manager:

- a. presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints issued by the Local Government and Social Care Ombudsman (LGSCO), and details of the decisions of the Housing Ombudsman
- b. reported also on the overall number of complaints received by the Council including response times and percentage of complaints upheld on a directorate basis for the full year 2019-2020
- c. highlighted the background to the council's complaints procedure at paragraph 2 of the report
- d. advised that there was no published time target for the handling of complaints, however, resolution times were recorded and reported to Departmental Management Teams (DMT's) and staff were encouraged to seek solutions at the first point of contact or otherwise resolve the issue at the earliest opportunity

- e. reported that the ongoing trend over the past four years was for a reduction in the number of complaints received however it had increased this year due to there being an increase in repairs/tenancies this year
- f. stated that there had been a slight decrease in the amount of time taken for officers to respond to complaints at 7.4 days over all four directorates
- g. detailed further the breakdown of directorate complaints at paragraph 4 of the report
- h. highlighted that of the 338 complaints responded to in 2019-2020, 40% (134) were upheld, this was a small increase on the percentage upheld in the previous year which was 34%
- i. explained that tenancy related complaints i.e. those which were classed as a landlord function, were now referred to the Housing Ombudsman (HOS) rather than being dealt with by the LGSCO
- j. highlighted the trend in complaints as detailed at paragraph 8 of the report
- k. highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas
- l. invited members' questions and comments.

Members questioned whether there had been a theme in the type of complaints received through Housing?

Response: Officers had spoken to Daryl Wright and he confirmed that there was no particular theme in the complaints that were received.

Members of Audit Committee discussed the content of the report in further detail.

Members suggested this particular area could be looked at by Housing Scrutiny Sub-Committee. Officers agreed that it would be useful to refer it.

RESOLVED that:

- 1. Trends in complaints be reviewed by the Housing Scrutiny Sub Committee.
- 2. The content of the 2019-2020 complaints report be noted.

65. Internal Audit Plan 2020-21

John Scott, Audit Manager:

- a) presented the audit plan which internal audit worked to which was agreed by Audit Committee and senior management
- b) explained that the development of the plan used a combination of the following:
 - The Council's Combined Assurance Model, an assessment of risk – based on the significance and sensitivity of key activities
 - Consultation with Senior Management

- Issues raised by the Audit Committee

- c) highlighted that using the Combined Assurance Model helped streamline and avoid duplication of effort where assurances could be drawn from other sources
- d) referred to the Draft Audit Plan for 2020/21 outlined at Appendix A of the report
- e) stated that due to the impacts of Covid-19 the audit plan took account of resources available for the remainder of 2020/21 which commenced on 1st September 2020 and that between April and August 2020, audit resources were re-prioritised to respond to the Covid-19 pandemic
- f) detailed the audits that were postponed outlined at paragraph 4.3 of the report
- g) invited members comments and questions.

Question: In relation to the £9,000 being saved from a vacancy in Audit, would this cut affect the Audit team going forward?

Response: In 2021 when the audit plan was to be presented, it was proposed that it be extended for 50 days.

Question: Had there been any impacts working alongside Boston Borough Council?

Response: The contact with Boston and Assurance Lincs was still in place and would be reviewed over the next year. If anything was to change it was hoped it wouldn't have a major impact on the service.

Question: With regards to Bereavement being highlighted as a risk, was it a risk that would increase?

Response: It was definitely an area of concern. It was a 2 stage process, involving a detailed risk assessment to set out where the risks were and the assurances in place. The second stage was to review it and look forward.

RESOLVED that the draft plan be noted.

66. Internal Audit Progress Report

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period June to September 2020, as detailed at Appendix A
- b. highlighted that Audit Committee held the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards
- c. detailed the content of the report covering the following main areas:

- Progress Against the Plan

- Summary of Audit Work
 - Implementation of Audit Recommendations
 - Current Areas of Interest Relevant to the Audit Committee
- d. detailed audit work completed and a final report issued in respect of:
- Homelessness (Substantial)
 - Housing Allocations (Substantial)
- e. highlighted that in line with corporate strategy responding to the pandemic, audit resources had been redeployed to deliver key services, supporting businesses and protecting the most vulnerable
- f. explained that:
- The 2020/21 audit plan had not yet commenced, other than some initial work on housing benefit subsidy testing.
 - The Audit team had been supporting business services and grants administration.
 - A much smaller, revised plan would be developed for 20-21 taking account of COVID risks/issues and be presented at the August/September committee.
 - Sufficient audit coverage would be undertaken to meet statutory responsibilities and provide an audit opinion for 2020-21
- g. invited members questions and comments.

Officers asked if instead of Health and Safety and Safeguarding recommendations being referred to Executive, was it possible for them to be considered under the current terms where a request could be made on an ad hoc basis and it be presented to the Audit Committee?

Members confirmed that they were all in agreement with this to be presented at Audit Committee as and when requested.

RESOLVED that:

1. Updates on Health and Safety and Safeguarding be presented to Audit Committee on an ad hoc basis rather than to Executive.
2. The contents of the report be noted.

67. Internal Audit Recommendation Follow Up

John Scott, Audit Manager:

- a) presented an update to Audit Committee on outstanding audit recommendations including recommendations over 12 months old.
- b) referred to Appendix A attached to his report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c) invited members' questions and comments.

Members discussed the report in further detail.

Question: Had there been a post implementation review carried out for the Boutham Park project?

Response: Officers would investigate further would find out the information and report back to a future meeting.

Question: Why had the Malware anti-virus and IT Policy been extended until December?

Response: There were a couple of areas from previous reviews that took longer than anticipated. Officers agreed to feedback the reasons why at a future committee meeting.

Question: There had been a lot of changes to the Internal Audit Recommendations, could this be referred to Executive as an update?

Response: Officers agreed to refer this to Executive.

Members were in agreement that they would like to receive further updates on the audit recommendations as outlined in 3.3 of the report.

RESOLVED that:

- 1) Feedback be provided to the committee on whether a post implementation review took place on the Boutham Park Project
- 2) Officers be tasked to feedback the reasons why the Malware anti-virus and IT Policy had been extended until December
- 3) An update on the changes to the Internal Audit Recommendations be referred to Executive
- 4) Further updates on the audit recommendations be presented to members in future meetings.
- 5) Updates on audit recommendations older than 12 months be noted.

68. Fraud and Error Annual Report 2019/20

John Scott, Audit Manager:

- a) provided a report to Audit Committee to update on Counter Fraud arrangements.
- b) Highlighted the specific CoIC Specific Priorities for 2019/20 and progress:
 - Tenancy Fraud – work with Housing to complete matched
 - NFI – work with teams to complete matches
 - Fraud training (residual and new staff members)
 - Identity fraud – work with teams on best practice
 - Scam busters/friends against scams – publicise and roll out to be completed
 - Money laundering – risk assessment
 - Update Counter Fraud risk register

- Health check – assessment against good practice
- Fraud policy updates – anti-bribery
- Whistleblowing/fraud reporting best practice and publicity
- CIPFA fraud return
- Possible data matching service for Small Business rates relief
- Lincolnshire Resilience Forum/MHCLG Cyber Resilience Group and related exercises.

c) invited members questions and comments.

Question: the report was difficult to navigate in places, could things be summarised in tables to make it clearer?

Response: Yes, this has been noted.

Question: Was there any evidence on people fraudulently registering their businesses for Business rates?

Response: For each business that was trying to claim business rates, it went to a panel of officers to determine whether business rates would be awarded. There were a lot of unhappy people whose cases didn't get awarded.

Question: Does the Council have any Cyber security in place incase of any cyber-attacks?

Response: There were a number of attacks received every day but the software repels them successfully.

RESOLVED that the content of the report be noted.

69. Whistleblowing Policy and Guidance

John Scott, Audit Manager:

- a) presented the Council's current whistleblowing policy and guidance
- b) explained that the current whistleblowing policy had been updated to reflect changes in the personnel and other external links and had been re-formatted to make the presentation shorter and clearer
- c) highlighted that the councils whistleblowing policy was part of a range of counter fraud policies which were reviewed every two years (or sooner if required).
- d) stated that a whistleblower is generally a term used for a person who worked in or for an organisation and raised an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of an organisation
- e) advised that the content of the whistleblowing policy and guidance remained largely unchanged with the exception of personnel changes, external links and presentational changes to help improve understanding.

f) Invited members questions and comments.

RESOLVED that the policy and guidance be noted.

70. Audit Committee Work Programme 2020-2021

John Scott, Audit Manager:

- a) presented a report to inform members of Audit Committee on the work programme for 2020/21 as detailed at Appendix A
- b) advised that the frequency of meetings had been reviewed and revised to take into account impacts relating to the pandemic and was considered appropriate for 2020/21.

RESOLVED that the contents of the Audit Committee work programme 2020/21 be noted.

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AUDIT COMMITTEE**17 NOVEMBER 2020**

SUBJECT: ASSESSMENT OF GOING CONCERN STATUS

REPORT BY: CHIEF EXECUTIVE & TOWN CLERK

LEAD OFFICER: COLLEEN WARREN, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 This report informs the Audit Committee of an assessment of the Council as a going concern for the purposes of producing the Statement of Accounts for 2019/20.

2. Background

- 2.1 The concept of 'going concern' assumes that an authority, its functions and services, will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Code of Practice for Local Authority Accounting and is made because local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).
- 2.2 If an authority were in financial difficulty, the prospects are that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 2.3 Where the assessment determines the 'going concern' status is not proven, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.
- 2.4 Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of councils as a consequence, external auditors continue to place a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. Similarly, our current Medium Term Financial Strategy (MTFS) and the 2019/20 financial statements largely reflect a pre-Covid set of circumstances and we need to be confident that we understand and have taken into account any threats to financial sustainability. This report sets out the position for City of Lincoln Council and provides justification for the 2019/20 financial statements being prepared on a 'going concern' basis.

2.5 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The Assessment

2.6 The main factors which underpin this assessment are:

- The Council's current financial position;
- The Council's projected financial position;
- The Council's balance sheet;
- The Council's cash flow;
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

Each of the above is considered in more detail below.

2.7 The provisions in the 2019/20 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.

2.8 The requirements to use the going concern basis of accounting mean that authorities do not apply paragraph 25 of IAS 1 Presentation of Financial Statements mandating management to make an assessment of the authority's ability to continue as a going concern. However, this reporting requirement is separate from the need for local authorities to report on the impact of financial pressures in the Narrative Report and, for example, other relevant liquidity reporting requirements such as those under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.

2.9 The Council's Current Financial Position – Revenue Resources

General Fund

As reported to Executive in June, the Council under spent on the General Fund revenue budget in 2019/20 by £0.387m. As at 31 March 2020 the Council held a General Fund Balance of £2.236m and held Earmarked Reserves totalling £11.589m. The Earmarked Reserves balance has increased by £1.419m during the year, reflecting the favourable outturn and is in preparation for future expenditure. The adequacy of reserves and balances

and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

The financial performance in 2019/20 resulted in a net over spend of £0.029m on the HRA revenue budget. As at 31 March 2020 the Council held an HRA Balance of £0.996m which was broadly in line with the revised budget. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis. The HRA has a 30-year Business Plan which is showing as affordable with the required estimated resources available to meet the plan. The Central Government imposed rent increase restrictions which the Council has had to apply over recent years were lifted for 2020/21 onwards and we are now able to increase our rents in line with the guidelines in place, which gives us further financial capacity to support our plan.

The Section 151 Officer is satisfied that the Council's 2019/20 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

2.10 Covid-19

The pandemic has meant an increase in cost to the Council which is currently covered by the £1.877m grant received from Central Government. However, the loss of income to the Council is a greater concern and the Government announced a package of financial support in July 2020. This scheme will allow council tax and business rates collection fund deficits to be repaid over three years instead of one. In addition, where losses from fees and charges are more than 5% of a Council's planned income, the Government will cover 75p for every pound lost. These provisions, together with the Government's stated commitment to support public services through the pandemic, give management confidence that the Council will be able to manage the financial challenge in the medium term.

2.11 The Council's Projected Financial Position – Revenue Resources

The financial projection for 2020/21 to 2024/25 was approved by Members in February 2020 in the MTFs. The Council set a balanced budget for 2020/21 with a savings target of £0.5m, this increased to £0.850m in 2021/22 and to £1.250m p.a. thereafter.

Progress to date in 2020/21 demonstrates that the Council is on target to deliver, and overachieve, the savings target with significant progress made towards the future year's targets.

As a result of Covid19 the Council has already identified that the savings targets will need to increase in future years and is currently assessing the ongoing impact to be around £1m-£1.5m p.a. In response to this a programme of savings reviews is currently being developed in order to reduce

the Council's net cost base and maintain a sustainable financial position. Latest estimate forecast that despite an increased savings target underpinning the new MTFS there will still be a need, in the short term, to use earmarked reserves and general balances in order to maintain a balanced budget position.

The MTFS already provides for a transfer of £0.919m from general balances to the General Fund in 2021/22 with further contributions of £0.167m in 2022/23, £0.043m in 2023/24 before a contribution to balances of £0.082m in 2024/25. These transfers would result in an estimated balance of £1.476m by 2024/25 which is marginally below the recommended prudent minimum level. However, the latest forecast outturn for 2020/21 shows a positive contribution to reserves above the budgeted amount.

In addition, the Council maintains a number of specific earmarked reserves including a business rates volatility reserve, an invest to save reserve and newly created Covid response/recovery reserves.

Along with the development of a new savings programme the careful use of these reserves, particularly in 2021/22 and 2022/23, will ensure that the Council is able to maintain a sound financial position whilst the ongoing savings programme is being delivered.

The Council's Section 151 Officer made a formal statement in February 2020 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the MTFS. We have revisited the underlying assumptions and strategy in the light of the challenges presented by Covid19 and have made a number of budget revisions to ensure the robustness of estimated and are satisfied that our reserves remain adequate. We continue to review the performance against our 2020/21 budget, regularly reporting to Members, and will ensure our MTFS is updated as part of our 2021/22 budget preparations the significant changes. At this stage we are satisfied that the Council's forecast financial position does not present any material uncertainties regarding the Council's ability to continue as a going concern.

2.12 The Council's Balance Sheet as at 31 March 2020

The Council's net assets amounted to £240.823m and Usable Reserves totalled £34.3m. We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

2.13 The Council's Cash Flow

The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2020 the Council has long term borrowing commitments of £110.4m, held £30.6m in short term investments and had £0.326m in Cash and Cash Equivalents. The

Council has adequate financial resources to meet its immediate financial obligations. We are satisfied that there are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

2.14 The Council's Governance Arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the Head of Paid Service, the Monitoring Officer and the Section 151 officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement.

Whilst it is not possible to provide absolute assurance, the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purpose and help provide reasonable assurance of their effectiveness. There are no plans for the Council to be reorganised or dissolved and we expect to operate under the current framework in the near future. We are satisfied that there are no significant issues regarding the Council's governance framework which present any material uncertainties regarding the Council's ability to continue as a going concern.

2.15 The External Regulatory and Control Environment

As a principal local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. We are satisfied that there are no significant issues regarding the external regulatory and control environment which present any material uncertainties regarding the Council's ability to continue as a going concern.

2.16 Material Uncertainties

The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Councils ability to continue as a going concern.

Economic uncertainty and difficulties in attaching weight to previous market evidence for comparison has impacted on valuers being able to inform opinions of value at 31 March 2020. In accordance with RICS guidance and in common with other local authorities the property valuations on our land and

buildings have been reported by our internal valuer on the basis of ‘material valuation uncertainty’ as per VPS3 and VPGA 10 of the RICS Red Book Global. These valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case. This has been disclosed in our 2019/20 accounts for completeness, as under the Code of Practice on Local Authority Accounting these assets are required to be disclosed at valuation. There is a statutory override in place though which means that any valuation movements do not affect the cost to taxpayers or our useable reserves. There are no indications from our understanding of the local property market or the properties we hold that this is a significant medium-term issue for the Council.

We are satisfied that there are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council’s ability to continue as a going concern.

2.17 Conclusions and Reasons for Recommendation

It is considered that having regard to the Council’s arrangements and such factors as highlighted in this report that the Council remains a ‘going concern’ and the Council’s accounts for 2019/20 have appropriately been prepared on this basis. This report gives that assessment by the Council’s Section 151 Officer in support of presenting the Accounts for approval and provides assurance to Mazars, the Council’s external auditor.

4. Organisational Impacts

- 4.1 Finance – The financial implications are as set out in this report.
- 4.2 Legal – There are no specific legal implications arising from this report.

5. Risk Implications

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

6. Recommendation

- 6.1 The Audit Committee accepts the outcome of the assessment of the Councils going concern status for the purpose of preparing the Statement of Accounts 2019/20.

Key Decision	No
Key Decision Reference No.	N/A
Do the Exempt Information Categories	No

Apply

Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

Does the report contain Appendices?

No

List of Background Papers:

N/A

Lead Officer:

Colleen Warren, Financial Services Manager
Telephone 873361

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SUBJECT: EXTERNAL AUDIT: AUDIT COMPLETION REPORT

DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK

REPORT AUTHOR: COLLEEN WARREN, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 This report summarises the findings from the 2019/20 audit, which is substantially complete. It identifies the key issues that Members should consider before an opinion, conclusion and certificate are issued.
- 2.1 This report includes only matters of governance interest that have come to the external auditor's attention in performing the audit. It is not designed to identify all matters that might be relevant to the Authority.
- 2.2 The report will be presented at the meeting by the Council's External Auditors, Mazars.

2. Executive Summary

- 2.1 The Council's financial statements are an important means by which the Council accounts for its stewardship of public funds. Council Members have final responsibility for the financial statements. It is therefore important that the Audit Committee consider Mazars findings before recommending the adoption of the financial statements to Full Council.

3. Opinion on the financial statements

- 3.1 At the time of preparing this report, Mazars work on the financial statements was substantially complete. Subject to the satisfactory conclusion of any outstanding work, Mazars propose issuing an unqualified audit opinion by the 30th November 2020 (a report to those charged with governance (IAS 260) is attached at Appendix A).
- 3.2 As part of the audit work undertaken Mazars have considered the internal controls in place relevant to the preparation of the financial statements. The findings of this work has resulted in 3 recommendations being made in respect of:
- IT General Controls
 - Expected Credit Loss Model
 - Asset Valuation Inputs

Further detail of the findings and recommendations are provided in section 4 of the attached report.

- 3.3 In relation to misstatements in the accounts there were a number of misstatements

identified that were above the threshold level of £49k, all of which were adjusted for as part of the audit process and have been reflected in the version of the Statement of Accounts that is presented elsewhere on this agenda. Further details of these misstatements are provided in section 5 of the attached report. There were no unadjusted misstatements.

3.4 A fully amended copy of the Statement of Accounts is presented elsewhere on this agenda.

4. Value for Money conclusion.

4.1 The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are adequate. Mazars therefore proposes issuing an unqualified opinion on the Council's value for money arrangements.

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 2019/20.

6. Organisational Impacts

6.1 Finance

There are no direct financial implications arising as a result of this report.

6.2 Legal Implications including Procurement Rules

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. As reported to the Audit Committee on 18th July 2019 the External Auditor was unable to complete their audit work by this date and issue their audit opinion. In accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015:

2) Where an audit of accounts has not been concluded before the date specified in paragraph (1) an authority must—

(a) publish (which must include publication on the authority's website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this"

Such a notice was published by the Council on the 23rd July 2019. On receipt of the final audit opinion, the Council's website will be updated with the final audited accounts including the issued audit opinion.

6.3 Equality, Diversity and Human Rights

There are no equality, diversity or human rights issues arising as a result of this report.

7. Risk Implications

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

8. Recommendation

8.1 Audit Committee are asked to:

- a) Consider the matters raised in the report before recommending the financial statements for approval by Full Council;
- b) Approve the draft letter of representation, attached at Appendix B, on behalf of the Council before Mazars issue an opinion, conclusion and certificate and delegate any further amendments to the letter, should any additional issues be raised by Mazars prior to 30th November, to the Chief Finance Officer and Chair of this Committee, with any changes reported back to this Committee.
- c) Delegate to the Chief Finance Officer and Chair of this Committee any further changes that may be required to the Statement of Accounts as identified during the conclusion of the audit, with any changes reported back to this Committee.

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: Draft Statement of Accounts 2019/20 – Audit Committee 27th August 2020.

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

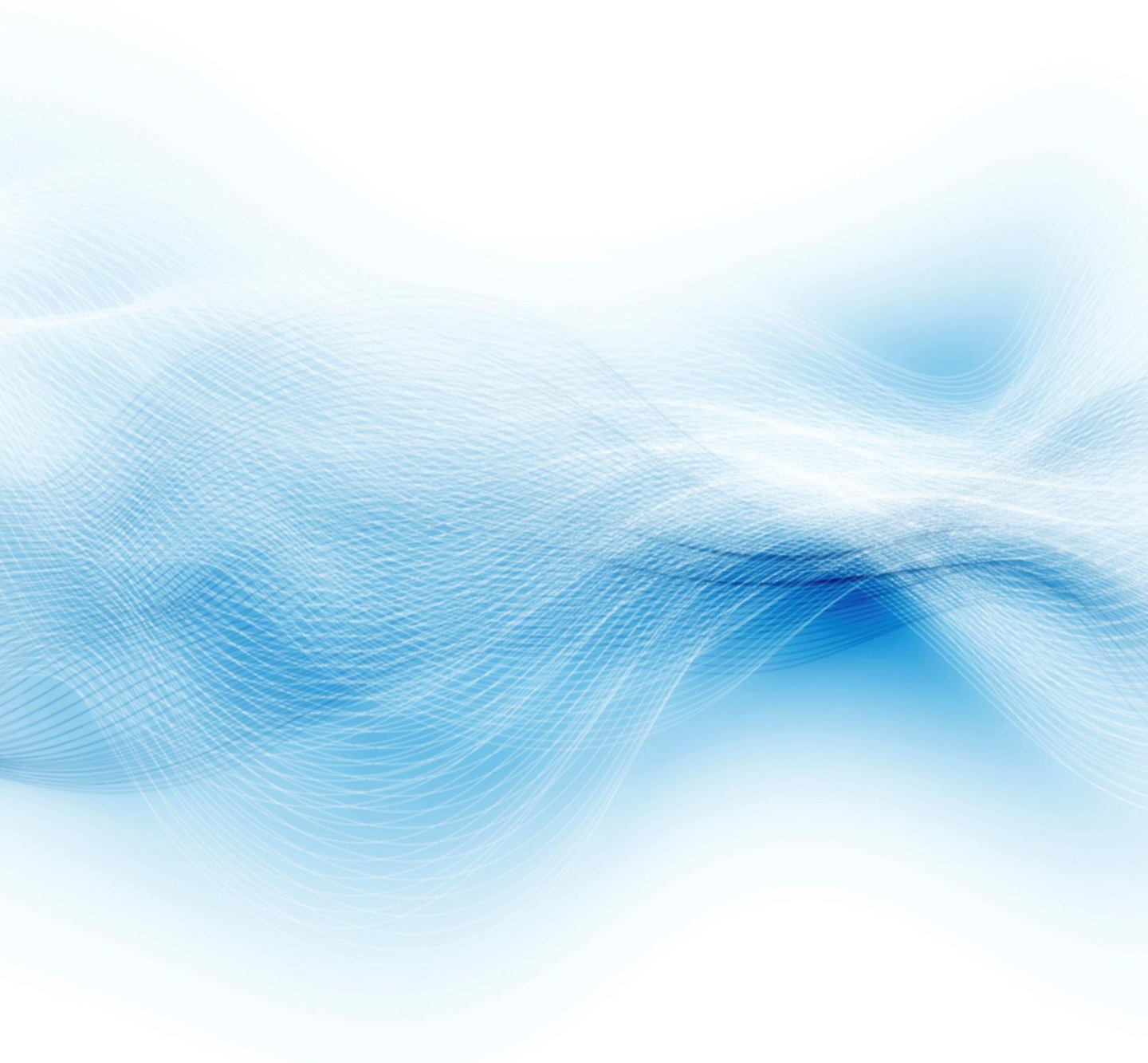
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Audit Progress Report

City of Lincoln Council

Year ending 31 March 2020



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2. Audit approach
3. Significant findings
4. Internal control recommendations
5. Summary of misstatements
6. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Appendix D – Schedule of changes to the financial statements

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Members of the Audit Committee
City of Lincoln Council
City Hall
Beaumont Fee
Lincoln
LN1 1DD

9 November 2020

Dear Members

Audit Progress Report – Year ended 31 March 2020

We are pleased to present our Audit Progress Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions on the work performed to date. Our Audit Completion Report will be provided alongside the final set of financial statements.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we issued in March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

We expect, unfortunately, that we are unlikely to be able to issue our Audit Report by 30 November. The main reasons being a potential delay in the receipt of sufficient audit evidence supporting the judgements made in the valuation of property, plant & equipment. This is exacerbated by recent staff sickness in our audit team creating last minute capacity pressures.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07875 974 291.

Yours faithfully

Mark Surrige
Mazars LLP

Mazars LLP – 45 Church Street, Birmingham, B3 2RT
www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Progress Report sets out the findings from our audit of City of Lincoln ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting in November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum. The significant audit risks we identified were:

- Management override of control
- Revenue and Expenditure recognition
- Valuation of Property, Plant and Equipment and Investment Properties
- Valuation of net pensions liability

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

Based on the work performed to date, We anticipate issuing an unqualified opinion on the financial statements.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Whole of Government Accounts (WGA)

The NAO released their group instructions on 4 November 2020 with a requested return of 4 December 2020..This is likely to lead to a delay in issuing the Audit Certificate.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. The matters outstanding at the time of preparing this report, including the normal review and completion processes, are summarised below. We will provide the Audit Committee with an update in relation to these and any other matters in a follow-up letter, prior to signing the auditor's report.

Audit area	Status	Description of outstanding matters
Property, plant and equipment and Investment Properties	●	We are finalising our work in relation to the significant audit risk identified regarding valuations, including obtaining suitable and appropriate audit evidence to support the basis of valuations and judgements made. No material issues have been identified from the work carried out to date. We are expecting an emphasis of matter paragraph in the audit opinion in response to the disclosed material uncertainty in property valuations caused by Covid19. We say more on this at page 8.
Pensions	●	No material issues have been identified from the work carried out to date. Part of our assurance over the net pensions liability is derived from specified procedures carried alongside the Lincolnshire Pension Fund audit, which has not yet been received. We anticipate this will include a disclosure of material valuation uncertainty on the Lincolnshire Pension Fund property assets that will be reflected in the Council's own financial statements.
Income & Expenditure: cut-off Debtors	●	We have a small number of queries and outstanding evidence to finish our testing in these areas.
Audit Quality Control Completion Procedures	●	Our audit work is undergoing final stages of review by the Engagement Lead and other internal consultation and we are addressing any remaining review points. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Whole of Government Accounts

There have been changes to the timetable to the national local authority Whole of Government Accounts (WGA) process, reflecting the changes to this year's accounts publication and audit deadlines. NAO Group Instructions for local authority 2019/20 audits were issued on 4 November and the deadline for auditor reporting is expected to be in early December 2020.



2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2020

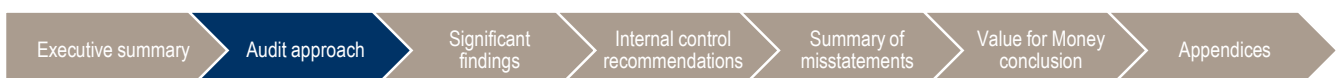
Materiality

We set materiality at the planning stage of the audit at £1.8m using a benchmark of 1.5% of 2018/19 Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.642m, using the same benchmark: 1.5% of 2019/20 Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £49k based on 3% of overall materiality).

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

- Officers' Emoluments – Senior Employees (Note 35): £5k
 - On the basis that readers of the accounts may take additional interest in this disclosure note
- Termination payments (Note 35): £13k
 - On the basis that readers of the accounts may take additional interest in this disclosure note
- Members allowances (Note 34): £61k
 - On the basis that readers of the accounts may take additional interest in the allowances paid to elected Members.
- External audit fee (Note 36): £9k
 - On the basis that readers of the accounts may take additional interest in this disclosure note particularly if non-audit services are provided to an entity.



2. AUDIT APPROACH (CONTINUED)

Key summary of audit approach and findings

We have summarised the key information regarding our approach, risks and significant findings for the Comprehensive Income and Expenditure Statement and Balance Sheet in the tables below. Further information on the findings are provided in Sections 3 and 5.

Comprehensive Income and Expenditure Statement

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Sufficiency of controls	Significant audit findings
Net cost of services	Significant	Revenue Recognition Risk	No	None	●	Non-material adjustment
Other operating expenditure	Standard	-	No	None	●	Non-material adjustment
Financing and investment I&E	Significant	Accuracy of pensions interest costs	Yes	None	●	Non-material adjustment
Taxation and non-specific grant I&E	Standard	-	No	None	●	None
Other comprehensive I&E	Significant	Accuracy of movements in pensions liability	Yes	None	●	None

Sufficiency of controls

- High-priority control deficiency noted
- Medium-priority control deficiency noted
- Low-priority control deficiency noted
- No control deficiency noted / not evaluated

2. AUDIT APPROACH (CONTINUED)

Balance Sheet

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Sufficiency of controls	Significant audit findings
Property, plant and equipment	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	●	Work ongoing
Heritage assets	Standard	-	No	None	●	None
Investment properties	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	●	Work ongoing
Assets held for sale	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	●	None
Investments	Standard	-	No	None	●	None
Short term debtors	Significant	Revenue recognition risk	No	None	●	None
Cash and cash equivalents	Standard	-	No	None	●	None
Short term creditors	Standard	-	No	None	●	None
Borrowings	Standard	-	No	None	●	None
Provisions	Standard	-	No	None	●	None
Other long term liabilities	Significant	Valuation of pensions liability	Yes	None	●	Work ongoing
Reserves	Minimal	-	No	None	●	None

3. SIGNIFICANT FINDINGS

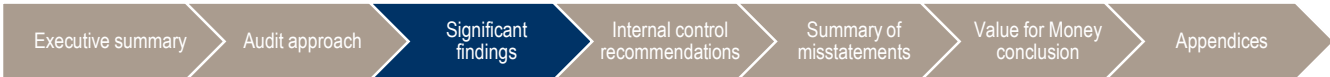
Set out below are the significant findings from our audit. These findings include:

- our findings on key audit matters, including:
 - why the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter;
 - how the matter was addressed in the audit including a summary of our response;
 - where relevant, key observations arising with respect to each matter; and
 - a clear reference to the relevant disclosures in the financial statements
- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

As part of our planning procedures we considered the risks of material misstatement in the Council’s financial statements that required special audit consideration. Although we report identified key audit matters and significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new key audit matters and significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

The table below reaffirms the significant risks and Key Audit Matters identified in our Audit Strategy Memorandum.

Description of risk	Key Audit Matter
Valuation of property, plant and equipment, investment properties and assets held for sale	Y
Valuation of net defined benefit liability	Y
Management override of controls	N
Revenue recognition	N



2. SIGNIFICANT FINDINGS (CONTINUED)

Key Audit Matter Description of the risk

Valuation of Property, Plant and Equipment and Investment Properties

The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, and Investment Properties with the majority of these assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

Relevant balances:

- Note 14: Property, Plant & Equipment – Council Dwellings £257,587k; Land & Buildings £86,763k
- Note 14: Investment Properties £34,646k

How we addressed this risk

In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessed whether valuation movements are in line with market expectations by using information available from other sources;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

Audit Findings to Date

Our work is drawing to a close and no material issues have been identified to date.

The Council has highlighted the material valuation uncertainty raised by its valuation expert caused by the impact of Covid-19, which will be reflected in our Audit Report.

We will update the Committee if any significant reporting issues emerge from these areas.

2. SIGNIFICANT FINDINGS (CONTINUED)

Key Audit Matter	Description of the risk
Valuation of net pensions liability	The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area.

Relevant balances:

- Note 29: Net Pension Liability £81,989k

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability we:

- Critically assessed the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund which support the IAS 19 valuation process were operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Current Position

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration. These assurances will also inform us of any concerns relating to the valuation of pension fund assets as a result of any uncertainty caused by Covid19. We will need to consider the impact of this on the Council's share of the pension fund assets as show in the balance sheet before issuing our opinion. This may give rise to additional disclosures in the Council's financial statements and also additional 'emphasis of matter' explanation in our Audit Report.

We will update the Committee if any significant reporting issues emerge from these areas.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Management override of controls	<p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of any identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit Conclusion</p> <p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.</p>

Significant risk	Description of the risk
Revenue Recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Having considered the factors for revenue recognition, we believe the risk is focused on the year-end balance sheet and in particular the existence and accuracy of receivables and the cut-off of revenue.</p> <p>Relevant balances:</p> <ul style="list-style-type: none">• Note 20: Short Term Debtors £11,506k• Note 8: Fees, Charges and other Service Income £64,890k <hr/> <p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls to mitigate the risk of material receivables being recognised in the wrong period. We tested receivables to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.</p> <p>Our audit approach also incorporated a range of other substantive procedures, including, but not limited to the testing of receipts around the year-end to provide assurance that any material items of income had been recorded in the correct financial year.</p> <hr/> <p>Audit Conclusion</p> <p>Our audit work is being finalised, but our audit procedures in relation to this risk to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your attention.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures made regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date.
- The Council's adoption of the 'going concern' principle in preparing the Financial Statements. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, meant an additional level of scrutiny was required over the going concern assertion in 2019/20. The Council is preparing an additional paper for the Audit Committee to review and approve.
- Impact of changes in audit scope on the external audit fee. We have provided management with a fee estimate and final fees will be agreed with management prior to inclusion and cover the following matters identified to date:
 - As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. Alongside this, as the Council is designated as a 'Public Interest Entity', we have also needed to include additional levels of supervision and review to meet regulators' expectations. We expect these factors to lead to a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of between £12,000 and £13,000.
 - Additional audit risks arising from COVID-19. We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and other areas. Our fee estimate is between £6,750 and £9,000.



2. SIGNIFICANT FINDINGS (CONTINUED)

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries. The changes to the Council's and Mazars' working arrangements' in response to COVID-19 and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required.

We are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

Potential Delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO only issued its Group Instructions for local authority audits on 4 November with a request for return on 4 December 2020. We may then issue the Auditor's Report without the Audit Certificate.



4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	Nil

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

Description of deficiency

IT General Controls

In our testing of IT General Controls, we identified that six incidences where employee leavers still have an 'active' directory record. In most cases it was because notification to delete the user had not been received by the IT team. Action was taken to disable these accounts.

Potential effects

Inappropriate IT access and IT vulnerabilities

Recommendation

The Council needs to:

- Remind all staff to promptly notify IT for all leavers
- Revisit protocols and processes to ensure there is an appropriate control in place to capture any non-notified leavers on IT systems.

Management response

The Council will remind all managers to ensure that appropriate IT forms are filled in to remove leavers from all systems

Other deficiencies in internal control – Level 2

Description of deficiency

Expected Credit Loss Model

Our review of the Council's debt impairment calculations have confirmed that these are not fully in accordance with the expected credit loss model as required under IFRS 9 and the CIPFA Code.

Potential effects

The Council is failing to comply with the requirements of current accounting standards and the CIPFA Code. This may lead to the incorrect debt impairment figure being calculated and disclosed within the financial statements.

Recommendation

The Council should review its approach to the calculation of its debt impairment to ensure that this accords with the requirements of IFRS 9 and the CIPFA Code.

Management response

To be considered as part of the 2020/21 reporting cycle.

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

Asset Valuation inputs

There were instances identified where the floor area, for couple of samples selected as part of our testing of asset valuations, which differed from what was quoted on the Council's systems. The floor area does affect the property valuation, but differences in floor area between information sources raises concern over the accuracy of the Council's records for. In this instance, it was confirmed the correct floor area was used

Potential effects

Books and records are not up-to-date, potentially leading to a misstatement in the carrying value of assets.

Recommendation

The Council should perform an annual reconciliation of key valuation inputs prior to providing information to the nominated valuer.

Management response

The Council will consider undertaking a review in 20/21.

5. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £49k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

There are no unadjusted misstatements to report.

Estimation: Debt Impairment

The Council's debt impairment calculations are consistent with the methodology applied in the prior year, but this is not fully compliant with IFRS9. The provision is made up from:

- Business Rates and Council Tax: £0.3m
- General Fund: £1.85m
- HRA: £1.78m

We are satisfied that the risk of material misstatement is not high, however, could lead to a change in 2020/21. Our calculations showed a potential range of -£0.2m to +£0.3m. Our calculations are not sufficient to present a factual error in the financial statements, but does show that due to differences in estimation technique, calculated balances could be different.

5. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements

A detailed list of adjustments is included at Appendix D. The following table sets out those that impact the primary financial statements:

Description	Accounts	Original/ Value £000	Debit £000	(Credit) £000	Revised Value £000
Incorrect disclosure of MRR movement within the MiRS	MiRS - Major repairs reserve - Adjustments between accounting basis.....	10,234		(6,790)	3,444
	MiRS - Major repairs reserve - Transfers (to)/from earmarked reserves	(6,790)	6,790		0
	MiRS - Capital receipts reserve - Adjustments between accounting basis...	723		(150)	573
	MiRS - Capital receipts reserve - Transfers (to)/from earmarked reserves	(150)	150		0
Incorrect disclosure of the fair value movements in its investment properties	CIES - Cost of services - Corporate services - Expenditure	2,696		(2,716)	(20)
	CIES - Cost of services - HRA - Expenditure	17,254		(25)	17,229
	CIES - Note 12 Financing and investment income and expenditure - (Surplus)/Deficit on trading operations	(1,418)	2,766		1,348
	CIES - Note 12 Financing and investment income and expenditure - Fair value movements of investment properties that are not trading operations	0		(25)	(25)
	This has an impact on associated notes 7 and 32 to the financial statements:				

Because some of these items relate to capital accounting, they have a ripple effect through the financial statements impacting on several disclosure notes.

Disclosure amendments

Our work has also identified adjustments to the following disclosures:

- Note 8 – Expenditure and Income Analysed by Nature
- Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulations
- Note 11 – Other Operating Expenditure
- Note 12 - Financing and Investment Income and Expenditure
- Note 13 – Taxation and Non-Specific Grant Income
- Note 14 – Non-Current Assets including Property, Plant & Equipment, Investment Properties and Intangible Assets
- Note 26 – Unusable Reserves
- Cashflow notes 27, 28, 29, 30 and 31
- Note 39 – Capital Expenditure and Capital Financing
- Note 35 – Officers' Remuneration: to correct the remuneration disclosure of the Chief Executive; and correct banding of exit packages
- Note 44 – Defined Benefit Pension Scheme

3. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, 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.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

In our Audit Strategy Memorandum, we reported that we not identified any significant risk to our VFM Conclusion. We continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist. Based on our updated assessment, we are satisfied that no additional Significant VFM Risks have arisen relating to the 2019/20 VFM Conclusion.

We do however, have the following matters to note.

Covid19 and financial resilience

Prior to Covid19 and lockdown, in March 2020, the Council adopted a net General Fund Revenue budget of £12.96m and a Medium Term Financial Strategy that required £5.1m savings over the period to 2024/25. The Council's general fund and earmarked reserves per the draft financial statements was £2.2m in the general fund and £11.6m earmarked revenue reserves.

In May, the Council was mentioned in the trade press as considering a s114 notice as a result of Covid19.

On 27 July, Executive received the financial outturn for 2019/20, which set out a provisional overspend of £133k on the general fund and £72k underspend against budget on the HRA. In September, Executive received an update that explained, for 2020/21 the Council's General Fund summary was projecting a forecast overspend of £0.08m. The Council continues to monitor and respond to the impact of Covid19 on its finances and service provision, which will be considered as part of our 2020/21 VFM Conclusion.

The £5.1m of savings originally planned over the period of the Medium Term Financial Strategy have been disrupted and the Council should not rely solely on existing reserves to cover the financial gap and will need to review and revisit its financial and service strategy.

As noted above, we have not judged there to be a significant weakness in the Council's arrangements supporting the VFM Conclusion for 2019/20.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mark Surridge

Mazars LLP

45 Church Street
Birmingham
B3 2RT

xx November 2020

Dear Sirs

City of Lincoln Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of City of Lincoln Council (the 'Council') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, inspection of supporting documentation, sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code and applicable law. My responsibility to provide and disclose relevant information

I have provided you with:

access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

additional information that you have requested from us for the purpose of the audit; and

unrestricted access to individuals within the Trust you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the Council have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and

the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains not already disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

all the results of my assessment of the risk that the financial statements of the Council may be materially misstated as a result of fraud;

all knowledge of fraud or suspected fraud affecting the entity involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the statement of financial position date. In particular, I have considered the impact of Covid-19 on our Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Jacyln Gibson

Chief Finance Officer & s151 Officer

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

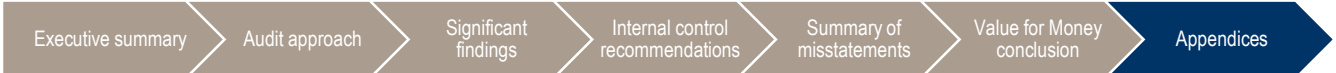
Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT

The Draft Audit Report is subject to internal consultation to ensure compliance with PIE and Key Audit Matter requirements as well as consultation over the potential inclusion of an Emphasis of Matters Paragraph relating to 'material valuation uncertainty' on property assets.

The Audit Report will be shared at a later date.



APPENDIX C

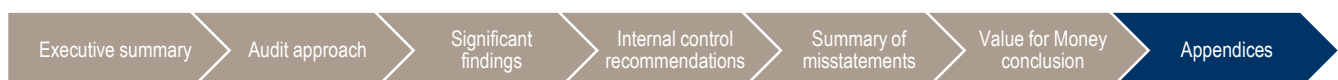
INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

During the audit the following issues arose which could be perceived as a threat to our independence. The table below details these potential threats and the safeguards put in place to mitigate the risk.

Issue	Perceived threats	Safeguards
Homes England Compliance Audit The procedures for this audit are set by Homes England and independent auditors undertake a review of evidence that the local authority provides to conform or deny compliance with the regulation. The auditor does not give an opinion on compliance, and produce only a report of factual findings.	Self-interest threat Self-review threat	The fee for the Non-Audit Service is £3,500, which is substantially less than the Audit Fee. The work has been performed by a team completely independent of the audit team.

We have received confirmation from our auditors external expert (PWC via the NAO as consulting actuary) regarding their independence.



APPENDIX D

SCHEDULE OF CHANGES

Description	Accounts	Original Value £000	Debit £000	(Credit) £000	Revised Value £000
Incorrect disclosure of MRR movement within the MiRS	MiRS - Major repairs reserve - Adjustments between accounting basis.....	10,234		(6,790)	3,444
	MiRS - Major repairs reserve - Transfers (to)/from earmarked reserves	(6,790)	6,790		0
	MiRS - Capital receipts reserve - Adjustments between accounting basis.....	723		(150)	573
	MiRS - Capital receipts reserve - Transfers (to)/from earmarked reserves	(150)	150		0
Incorrect disclosure of MiRS Adjustments within other account entries	D - Note 9 Adjustments between... - Housing Revenue Account - 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)	11,863		(4,336)	7,527
	D - Note 9 Adjustments between... - Housing Revenue Account - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,008		(74)	2,934
	D - Note 9 Adjustments between... - Capital receipts reserve - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,008)	74		
	D - Note 9 Adjustments between... - Capital receipts reserve - Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0		(150)	(150)
	D - Note 9 Adjustments between... - Major repairs reserve - Posting of HRA resources to the Major Repairs Reserve	0		(3,637)	(3,637)
	D - Note 9 Adjustments between... - Capital grant unapplied - Application of Capital grants to finance capital expenditure	1,535	223		1,758
	D - Note 14 Property, plant and equipment - Assets under construction - Additions	1,126		(53)	1,073
	D - Note 14 Property, plant and equipment - Assets under construction - Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(53)	53		0
	D - Note 26 Capital adjustment account - Charges for depreciation and amortisation of non-current assets	8,664	48		8,712
	D - Note 26 Capital adjustment account - Other movements of depreciation	0		(48)	(48)
	D - Note 26 Capital adjustment account - Revaluation (gains)/losses and impairments on property, plant and equipment	(5,344)		(791)	(6,135)
	D - Note 26 Capital adjustment account - Fair value movements on investment properties	0	2,741		2,741
	D - Note 26 Capital adjustment account - Revenue expenditure funded from capital under statute	2,429		(1,950)	479
	D - Note 26 Capital adjustment account - Assets under construction written off to revenue	53		(53)	0
	D - Note 26 Capital adjustment account - Use of capital receipts to finance new capital expenditure	(1,535)	53		(1,482)
	D - Note 39 Capital expenditure and capital financing - Capital investment - Property, plant and equipment	21,500		(53)	21,447
	D - Note 39 Capital expenditure and capital financing - Sources of finance - Capital receipts	(1,534)	53		(1,481)
Incorrect disclosure of salary amount for Chief Executive	D - Note 35 Officers' Remuneration - Salary - Chief executive	127	3		130

APPENDIX D

SCHEDULE OF CHANGES

Description	Accounts	Original Value £000	Debit £000	(Credit) £000	Revised Value £000
Incorrect disclosure of the value of exit packages on the wrong line.	D - Note 35 Officers' Remuneration - Exit packages - £0 - £20,000	36		(36)	0
	D - Note 35 Officers' Remuneration - Exit packages - £20,001 - £40,000	0	36		36
Incorrect inclusion of REFCUS expenditure as Depreciation, Amortisation and Impairment within Note 14	D - Note 8 Expenditure and income analysed by nature - Depreciation, amortisation and impairment	5,547		(479)	5,068
	D - Note 8 Expenditure and income analysed by nature - REFCUS expenditure	0	479		479
Incorrect disclosure of the fair value movements in its investment properties	CIES - Cost of services - Corporate services - Expenditure	2,696		(2,716)	(20)
	CIES - Cost of services - HRA - Expenditure	17,254		(25)	17,229
	CIES - Note 12 Financing and investment income and expenditure - (Surplus)/Deficit on trading operations	(1,418)	2,766		1,348
	CIES - Note 12 Financing and investment income and expenditure - Fair value movements of investment properties that are not trading operations	0		(25)	(25)
Incorrect classification of gains arising on the disposal of its investment properties under other operating expenditure rather than financing and investment income and expenditure	CIES - Note 11 Other operating expenditure - (Gains)/losses on the disposal of non-current assets	(766)	22		(744)
	CIES - Note 12 Financing and investment income and expenditure - (Gains)/losses on the disposal of investment properties	0		(22)	(22)
Incorrect classification of investment property additions within Note 14	D - Note 14 Non-current assets including property, plant and equipment , investment properties and intangible assets - Investment properties - Additions (cost)	0	6,888		6,888
	D - Note 14 Non-current assets including property, plant and equipment , investment properties and intangible assets - Investment properties - Other movements in cost or valuation	6,929		(6,888)	41
Incorrect classification of grant income within Note 13	D - Note 13 Taxation and non-specific grant income - Retained business rates income and expenditure	(6,062)	290		(5,772)
	D - Note 13 Taxation and non-specific grant income - Non ring-fenced government grants	(488)		(290)	(778)
	D - Note 37 Grant income - S31 grants included in non-domestic rate income	(1,953)	290		(1,663)

APPENDIX D

SCHEDULE OF CHANGES

Description	Accounts	Original Value £000	Debit £000	(Credit) £000	Revised Value £000
	D - Note 27 Cash flow statement - Operating activities - Interest received	183	4		187
	D - Note 27 Cash flow statement - Operating activities - Interest paid	(3,345)		(293)	(3,638)
	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - Depreciation	8,552	48		8,600
	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - Impairment and downward valuations	(4,553)		(1,582)	(6,135)
	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - Increase/(decrease) in creditors	5,490	524		6,014
	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - (Increase)/decrease in debtors	(1,080)		(629)	(1,709)
	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,168		(20)	2,148
Incorrect calculation of cash flow entries	CFS - Note 28 Cash flow statement - Adjustment to surplus or deficit on provision of services for non-cash movements - Other non-cash items charged to the net surplus or deficit on the provision of services	131	1,587		1,718
	CFS - Note 29 Cash flow statement - Adjustment to surplus or deficit on the provision of services for items that are investing & financing activities - Proceeds from sale of PPE, investment property and intangible assets	(3,008)	74		(2,934)
	CFS - Note 30 Cash flow statement - Investing activities - Purchase of property, plant and equipment, investment property and intangible assets	(22,051)	76		(21,975)
	CFS - Note 30 Cash flow statement - Investing activities - Purchase of short-term and long-term investments	(131,362)		(193)	(131,555)
	CFS - Note 30 Cash flow statement - Investing activities - Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,008		(74)	2,934
	CFS - Note 31 Cash flow statement - Financing activities - Cash receipts of short & long-term borrowing	34,705		(9,704)	25,001
	CFS - Note 31 Cash flow statement - Financing activities - Repayments of short- and long-term borrowing	(30,098)	9,897		(20,201)

CONTACT

Mark Surridge

Director

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Jon Machej

Manager

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Email: jon.machej@mazars.co.uk

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Mark Surridge
Director
Mazars LLP
45 Church Street
Birmingham
B3 2RT

Chief Executive & Town Clerk

Angela Andrews CPFA

City Hall, Beaumont Fee,

Lincoln. LN1 1DD

Telephone: (01522) 881188

Facsimile: (01522) 873546

Website: www.lincoln.gov.uk

Jaclyn Gibson

is dealing with this matter

E-mail : jaclyn.gibson@lincoln.gov.uk

Direct Line: 01522 873258

xx November 2020

Dear Mark

City of Lincoln Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of City of Lincoln Council (the 'Council') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, inspection of supporting documentation, sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code and applicable law. My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Trust you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the Council have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains not already disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements of the Council may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the statement of financial position date. In particular, I have considered the impact of Covid-19 on our Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Jaclyn Gibson, ACCA
Chief Finance Officer (s151)

AUDIT COMMITTEE**17 NOVEMBER 2020**

SUBJECT: STATEMENT OF ACCOUNTS 2019/20

REPORT BY: CHIEF FINANCE OFFICER

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 2020, 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 2019/20 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 2019/20 with an audit opinion and certificate by no later than 31st July 2020. Following the COVID-19 pandemic the statutory dates were amended with publication of the accounts required by 31st August and an audit opinion and certificate required by 30th November 2020.
- 2.3 **The Audit Committee should note that the Statement of Accounts for 2019/20, at the time of writing this report, are still subject to conclusion of the external audit by the Councils external auditors Mazars. Mazars will attend the Committee to provide an update on the audit progress.**
- 2.4 Any further changes required to the Statement of Accounts, arising from the conclusion of the external audit, will be agreed by the Council's Chief Finance Officer and reported back to the Chair of the Audit Committee, and will be included in the Statement of Accounts to be submitted to Executive and Council for final approval.
- 2.5 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from Mazars, this ran from 1st September until 15th September 2020 and the External Auditor was available to answer questions during this period, no questions were however 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 2019/20 was substantial (green) and is in line with our Code of Corporate Governance. However, there are currently three defined significant issues. In respect of IT Disaster Recovery there is one action outstanding from

2018/19, and this will be regularly reported by management to the Audit Committee. In respect of 2019/20 there were two additional significant issues identified, the Review of the Impact of Coronavirus on the Councils service delivery and embedding new ways of working and Vision 2025 that needs to be re-profiled and communicated to a wider audience in the light of COVID-19. These 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 2020 however the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended this date to 31st August 2020. 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 2020 however for the 19/20 accounts this date was amended to 30th November 2020. The timescales involved with the approval of the Statement of Accounts for 2019/20 are:

a) Report draft accounts to Audit Committee	27 th August 2020
b) Report to Audit Committee	17 th November 2020
c) Report to the Executive	23 rd November 2020
d) Approval by Council	30 th November 2020

3.2 In order to ensure that the statutory deadline of 30th November 2020 is met Mazars must complete their audit and issue the relevant audit opinion. There were no material changes required to the Statement of Accounts, however a small number of presentation changes have been made following the external audit review, (these are fully reflected in the Statement of Accounts at Appendix B). At the date of preparing this report the majority of audit work was completed but is subject to the satisfactory conclusion of any outstanding work, particularly in relation to the valuation of plant, property and equipment. Mazars will attend the Committee to provide an update on the audit progress and have provided an Audit Progress Report that appears elsewhere on this agenda.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. 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 22) – 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 53)) that adjusts the expenditure that is chargeable to general fund and the HRA balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £6.188m in the CIES to the outturn position of an increase in General Fund Balances of £0.387m as reported in the Financial outturn report (Executive 27th July 2020).

	£m	£m
Net (surplus)/deficit on the Provision of Services		(6.188)
<i>Adjust for:</i>		
Depreciation, revaluation losses and gains & impairment of non-current assets	1.328	
Revenue expenditure funded from capital under Statute	(0.479)	
Direct Revenue financing of capital expenditure	0.200	
Gain/loss on the sale of non-current assets	0.766	
Contribution to/from the pensions reserve	(4.973)	
Debt repayment and premiums & discounts on debt	0.997	
Short-term compensated absences	(0.034)	
Contribution to Government's Housing Capital Receipts Pool	(0.729)	
Capital grants & contributions unapplied credited to CI&ES	6.418	
Adjustment for Collection Fund	(0.944)	
Transfer to/from the HRA	3.637	
Transfer to/from Earmarked reserves	(0.357)	
Reduction in HRA Balances	(0.029)	
Total Adjustments		5.801
(Increase)/decrease in General Fund Balances		(0.387)

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 2019/20, in comparison to the revised budget for the

year. As previously reported, there was a projected overspend against the General Fund budget of £0.222m at quarter 3, this overspend decreased and the outturn was an overall budget shortfall of £0.167m.

4.1.3 The Housing Revenue Account reported an overspend against the revised budget of £0.081m. Allowing for this adjustment HRA balances were reduced by £0.029m to £0.996m and the HRA Repairs Accounts balance was £0.595m as at 31st March 2020.

4.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (SOA page 3) and were subject to a separate report to Executive and Performance Scrutiny Committee 8th July 2020 and 27th July 2020 respectively.

4.2 The Balance Sheet (SOA page 23)

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 2020 are:

4.2.2 **General Balances** – General balances have increased by £0.269m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	1.849	2.236	0.387
HRA balances	1.025	0.996	(0.029)
HRS	0.089	0	(0.089)
Total	2.963	3.232	0.269

4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have decreased by £0.356m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	11.946	11.590	(0.356)

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2019/20 Provisional outturn to the Executive 27th July 2020 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 £43.616m exceed current liabilities of £27.05m by a ratio of 1.38:1, which represents an increase from the previous year's ratio of 1.2:1. This is due to a decrease in short term borrowing (as per the Council's borrowing strategy).

4.2.5 **Debtors** – debtors have decreased by £1.728m to £11.506m. The increase is largely due to increases in standard rent allowances, collection fund and housing rent debtors as a result of timing differences and accruals accounting.

4.2.6 **Creditors** – have increased by £2.277m to £15.265m. 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 £18.9m (5%) to £418.7m between 31st March 2019 and 31st March 2020 (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 2019/20 have seen an **overall increase in value of £19m**, 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 £19m net upwards movements due to revaluation gains and losses in

2019/20, there were:

- **£3.4m of net revaluation gain** required to be charged to Cost of Services in the CIES. This is mainly due to reflecting the social housing value of housing stock (£5.85m).
- **£5m 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 (£3m) an increase in the council's land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £21.5m.** The main areas of expenditure include £10.768m spent improving Council dwellings including re-roofing, kitchens and landscaping, and the purchase of a number of council dwellings. The other main areas of spend were £6.9m on purchasing investment properties. To pay for this investment, the Council has used £1.8m of capital grants and contributions, £1.5m of capital receipts, £6.8m of the Major Repairs Reserve, £11.8m of unsupported borrowing, and £0.2m 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 2019/20 total depreciation was £8.67m** (of which £2.066m was charged for non-HRA dwellings and was replaced in the MiRS with £0.95m for the repayment of debt and £6.6m depreciation was charged to the HRA which is available in the Major Repairs Reserve for future investment).
- **Disposals – assets valued at £2.168m in the Balance Sheet were disposed** of in 2019/20. This included 57 Right to Buy sales of council dwellings.

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

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

Full details are provided in Note 44 to the accounts – Defined Benefit Pension Schemes (*SOA page 101*). 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 £4.973m reflecting the retirement benefits earned during 2019/20 and to be funded in the future. This includes £6.844m current service costs and a net interest cost on the defined benefit obligations of £2.451m. 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 £4.323m.
- **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 scheme's liabilities and assets. During 2019/20 the net liability has decreased by £18.7m to £81.989m. 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 £81.989m 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 92*) 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 2019 and 31st March 2020, the Council's total borrowing increased to £120.1m (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 £9.7m and long term borrowing of £110.4m.
- The average rate of interest payable on borrowing was 3.62% which is a slight increase on 2018/19 (3.24%) and due to the new longer-term loans taken being.
- The Comprehensive Income and Expenditure Statement for 2019/20 includes £3.9m interest payable on borrowing (excluding leases) of which £1.5m relates to the General Fund and £2.4m to the HRA.

The maturity profile of the outstanding borrowing as at 31st March 2020 is as follows:

Within	£m	% of Total Debt
1 year	9.7	8.08%
1 – 2 years	2.7	2.25%
2 – 5 years	2.7	2.25%
5 -10 years	5	4.16%
10 years and over	100	83.26%
Total	120.1	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 2020, total investments had increased by £1.35m from £29.2m to £30.55m compared to the previous year end.
- Average investment balances during 2019/20 were £28.8m, compared to £22.3m in 2018/19.
- The average interest rate received on investments in 2019/20 was 0.84% (a small increase of 0.06% on the average rate achieved in 2018/19), which was 0.31% 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 2019/20.

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 by 30th November 2020. 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 (Coronavirus) (Amendment) Regulations 2020 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 30th November 2020.

7. Risk Implications

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

8. Recommendation

- 8.1 The Audit Committee are invited to scrutinise the Statement of Accounts prior to being reported to full Council on 30th November 2020.
- 8.2 The Audit Committee are asked to delegate any further changes to the Statement of Accounts, arising from the conclusion of the external audit, to the Chief Finance Officer who will report any such changes to the Chair of Audit Committee.

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 2019-2024
Financial Performance - Outturn 2019/20

Lead Officer: Colleen Warren, Financial Services Manager
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STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020



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An introduction to the City of Lincoln's 2019/20 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 2019/20 and the financial position at 31 March 2020. The Accounts present expenditure and income incurred by the Council in the financial year 2019/20 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 2019/20 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 2020 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 2019/20

The City of Lincoln Council is a high performing an innovative organisation, focussed on providing quality services and delivering outcomes that matter. Our Vision 2020, a 3-year programme of activity through to 2019/20, has helped us to continue to transform both the Council and the City through our strategic priorities.

Over the last decade the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms and have had to adapt to; the impact of severe, unprecedented, central government funding reductions; radical reform of the methodology for funding local government - where councils are self-sufficient; changes in the use and demand for services; as well as escalating costs.

In response to this challenging financial environment the Council has embraced a forward thinking, ambitious and commercial approach in maintaining a sound financial position. We have a strong track record of planning ahead, securing savings in advance, shifting away from traditional cost cutting exercises to more ambitious and forward thinking opportunities, 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. This is an approach that has served the Council well and allowed us to deliver savings in excess of £8.5m over a ten-year period, a significant reduction in comparison to the overall net expenditure budget.

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.

However, the COVID19 pandemic, has had such devastating effect on our lives, families, friends, neighbours, communities and of course on our workplaces. The Council, like all other businesses, has had to make dramatic changes, not only to ensure that we can keep our critical services functioning, but also like councils across the country, to deliver a community leadership role for our city in this time of crisis.

We have created new services to support vulnerable people, taken rough sleepers off the streets and into safe accommodation and ensured key services such as kerbside waste and recycling collections have continued as usual. We have effectively led our communities during the emergency response and are now

leading on supporting our communities as we tackle the social and economic challenges ahead.

Performance

The Council's current Vision 2020 covered the period April 2017 to March 2020. It is a vision for the City shared with key stakeholders and partners, encapsulated in the key vision statement:

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

To celebrate the success of Vision 2020 towards achieving this vision a Celebrating Vision 2020 document was produced, and can be found on the Council's website www.lincoln.gov.uk, this aims to provide a snapshot of some of the key achievements over the life of the plan.

In addition, the Council has produced a review of 2019/20 incorporating its performance indicators for the year along with the initial response to the COVID19. This document sets out in more detail how the Council has performed against its service specific indicators and targets.

Together these two documents provide a summary of how the Council has continued to transform, invest and support the City and its communities as well as continue to deliver the key services that matter the most.

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 2019/20, the approved net expenditure budget for General Fund services was £13,101m. After allowing for planned contributions of £0.554m to non-earmarked general reserves the total Net General Fund Budget for 2019/20 was £13.655m.

The Net General Fund Budget of £14,276m assumed the achievement of £0.695m further savings which were to be delivered in 2019/20 as part of the Council's Towards Financial Sustainability Programme. Although this target was not achieved in full during 2019/20, due to reprofiling of one scheme, the programme still continues to be successful and has now delivered total savings of £4.448m. Work continues in developing and delivering new projects as part of the programme to secure the additional savings required in 2020/21 and future years.

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



	ACTUAL 2019/20 £'000	REVISED BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
Chief Executive and Town Clerk	2,916	2,840	76
Directorate of Housing & Regeneration	709	736	(27)
Directorate of Communities & Environment	229	239	(10)
Directorate of Major Developments	5629	5559	70
Corporate	1,840	1,756	84
Net Operational Expenditure	11,323	11,130	193
Specific Grants	(756)	(778)	22
Savings Target	0	(202)	202
Earmarked Reserves	7	(443)	450
Capital Accounting Adjustment	960	2,994	(2,034)
Contingencies	0	158	(158)
Total Expenditure	11,534	12,859	(1,325)
Contribution To General Balances	1,879	554	1,325
Total Net Budget	13,413	13,413	0
Business Rates -			
Retained Business Rates Income	(16,918)	(16,918)	0
Tariff	12,884	12,884	0
Section 31 grant	(1,552)	(1,552)	0
Levy Payment	462	462	0
Revenue Support Grant	(22)	(22)	0
Council Tax	(6,679)	(6,679)	0
Council Tax Surplus	(42)	(42)	0
NNDR Deficit	(1,546)	(1,546)	0
Total Resources	(13,413)	(13,413)	0

While total expenditure was £13,301m (£2.172m more than budget) this is offset by £1.325m increase in the actual contribution to general balances. The actual contribution to general balances was £1.879m compared to the approved budget of £0.554m.

As at 31 March 2020, the Council held £8.914m General Fund revenue reserves, comprising £6.678m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.236m non-earmarked general reserves. This latter balance represents 16.7% of the 2019/20 annual net service budget and provides an adequate level of reserves to cover unforeseen financial risks. General Balances are currently above the

prudently assessed minimum requirements in the Council's Medium Term Financial Strategy, which will provide additional resilience for the financial effects of COVID19.



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 2019/20, the approved net operating budget for the Housing Revenue Account was a surplus of £0.052m. Actual net expenditure for 2019/20 was £0.029m deficit, resulting in a £81k deficit 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 2019/20 £'000	REVISED BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,671	8,660	11
Supervision & Management	7,451	7,498	(47)
Provisions (including Bad Debt)	285	288	(3)
Capital Financing	(3,035)	6,274	(9,309)
Sub Total	13,372	22,720	(9,348)
<u>Add:</u>			
HRS – repatriation of surplus	(110)	0	(110)
Contribution to/(from) HRS (IAS19 & Insurance Fund)	849	0	849
Interest Payable & Similar Charges	2,424	2,352	72
Total Expenditure	16,535	25,072	(8,537)
<u>Income</u>			
Rents & Service Charges	(28,536)	(28,592)	56
Interest	(77)	(37)	(40)
Net Expenditure	(12,078)	(3,557)	(8,521)
<u>Less:</u>			
Capital Accounting Adjustment	9,691	0	9,691
Appropriation to/(from) Major Repairs Reserves	3,637	4,077	(440)
Appropriation to/(from) Pension Fund Liability	(857)	0	(857)
Appropriations to/(from) Earmarked Reserves	(364)	(572)	208
Net HRA (Surplus)/Deficit	29	(52)	81

As at 31 March 2020, the Council held £2.317m HRA revenue reserves, comprising £1.420m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £0.997m 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.

Capital spending in the year was £22m compared to the revised approved programme budget of £27.4m, representing an underspend of £5.4m against the profiled budget. The variance in 2019/20 is mostly due to the re-profiling of schemes within the general fund and housing programmes. The 2019/20 capital spending and funding position is summarised as follows:

	ACTUAL 2019/20 £'000	BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
Capital Expenditure			
General Fund	10,057	12,510	(2,453)
Housing Revenue	11,977	14,906	(2,929)
Total Expenditure	22,034	27,416	(5,382)
Financed by:			
Borrowing	11,750	14,060	(2,310)
Capital Receipts	1,534	1,653	(119)
Capital Grants and Contributions	1,758	2,723	(965)
Major Repairs Reserve	6,790	8,368	(1,578)
Revenue Contributions	202	612	(410)
Total Financing	22,034	27,416	(5,382)

Major Capital works carried out during 2019/20 are set out in the following table:

	£'000
Housing	
Decent Homes and improvements to Council dwellings	5,823
Health & Safety	217
Council house schemes	5,157
Other major works to housing stock	780
General Fund	
Purchase of Land and Buildings	6,888
Leisure Centre/Sports Provision	1,822
Enhancements to corporate properties	223
Car Park enhancements	235
Disabled Facilities Grants	470
Other Schemes	419
Total	22,034

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 2019/20 is provided below:

Capital Receipts (Note 9)

The Council received £2.3m 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 principal long-term debt outstanding, (excluding loans of £0.03m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2020 was £120.2m.

Total Long Term Borrowing Outstanding

31/03/19	Source of loan	31/03/20
£'000		£'000
71,793	Public Works Loan Board	94,592
23,000	Market and Other Long-Term Loans	25,000
561	Other (3% stock)	561
95,354	Total	120,153

Long-term borrowing of £25m was taken during 2019/20. Short term borrowing of £20m was repaid during 2019/20. This represents a net increase of £5m of borrowing since 31 March 2019. The Council remains under borrowed by £10.6m (i.e. the Council's actual borrowing is £10.6m less than its borrowing requirement at 31 March 2020). 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 2020/21 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 a reduction in the estimated Pension Fund Reserve net liability over the 2019/20 year of £18.701m, down from £100.690m at 1 April 2019 to £81.989m at 31 March 2020. This decrease in the Pension Fund deficit resulted mainly from changes in financial assumptions following the latest triennial review. 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 £81.989m 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 2019, the results at that time identified that there has been a significant improvement in the funding position since the last actuarial review from a 69% funding level to 84%. The next actuarial revaluation is due as at 31st March 2022.

Although the overall funding position has improved, 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. Based on the latest triennial valuation rates will continue to be capped at 1% p.a. over the next three year period to 2022/23.



Future Plans

Moving forward from the COVID19 pandemic, as the Country continues through the recovery phase, the

Council's single biggest challenge is our ability to lead on, finance and support key practical and relevant interventions which will be critical to the recovery of not only the council, but also Lincoln and Lincolnshire's economy.

The Council is currently forecasting a shortfall on our own General Fund budget of c£1.8m in 2020/21 after the allocation of government grant funding and the recently announced income compensation scheme. The Housing Revenue Account is forecasting a £0.7m shortfall for which no government support has yet been provided.

In response to this we are taking a number of urgent actions:

- Lobbying and media campaign
- Controls to limit expenditure in the short term
- Revised budget proposals for 2020/21
- Repurposing of Vision 2025

The Council's new Vision 2025, approved in March 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 2025, 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 2025 remains as;

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

Underpinning this vision are now five 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 five-year programme.

The five strategic priorities are:

- Let's drive inclusive economic growth
- Let's reduce all kinds of inequality
- Let's deliver quality housing
- Let's enhance our remarkable place
- Let's address the challenge of climate change

Although the new Vision 2025 was adopted in March there was no formal public launch due to COVID-19. The council's response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely. This will ensure that we target our priorities in new ways to lead and bolster the City's economic recovery, focussing on what is important right now and deferring some projects to the latter years of the Plan.

The effects of the pandemic will remain with Lincoln in at least the short term and will make a difference in the prioritisation of workload over the next few years. We are already in the process of preparing revised budget estimates for consideration by Executive in September which will provide options for the council's financial security going forward.



General Fund

The General Fund is currently estimating a budget shortfall as a result of COVID in the region of £1.8m in 2020/21. Proposals, of a one-off nature, to ensure a revised balanced budget will be presented to the Executive in September 2020.

Despite these measures in ensure the in-year budget remains balanced beyond 2020/21 the Council is set to face ongoing reductions in local income sources, such as fees and charges, Council Tax and Business Rates receipts, and increased service costs from the legacy of impacts of COVID19.

Alongside these threats to local income sources, local government financing is still set for future significant reform. 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 of this has currently been delayed due to the current COVID19 pandemic and the current implementation date is expected to be 2022/2023. The implications arising from these reforms, whilst yet unquantifiable, will have significant, detrimental, implications for the Council.

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

The combined potential impact of these financial risks is greater than that experienced in 2020/21 and will require ongoing reductions in the net cost base to ensure the Council lives within a significantly reduced resources envelope and maintains a sustainable financial position.

Ahead of this the Council's General Fund continues to face a significant financial challenge if it is to deliver its Vision 2025 priorities and to deliver services to the public within a reduced, and more variable funding envelope.

Over the last 10-year period the Council has delivered savings in excess of £8.5m, a significant reduction in comparison to the overall net expenditure budget. However, the Medium Term Financial Strategy currently includes a savings of £1.25m by 2022/23. As a result of the new financial challenges that the Council is facing this target is likely to need to increase by a further £1m - £1.5m p.a. This is a significant target for the Council to achieve, particularly in light of the annual revenue reductions already achieved.

The Towards Financial Sustainability (TFS) programme will continue to be the vital element in ensuring that the Council maintains delivers the required reductions in the net cost base. The programme itself is being refocused to reflect the; new environment in which the Council now operates; it's priorities under Vision 2025; and an increased savings target. The Council will ultimately face some difficult decisions over the next 12 months as it prioritises

which services it can afford to continue to deliver.

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 for completion in 2021.

Of immediate priority to the HRA is to ensure it too maintains a balanced budget position in 2020/21. With an estimate budget shortfall of £0.7m revised, one-off, budget proposals will be presented to the Executive in September 2020. Beyond this the legacy impacts of COVID19 are not as great as those experienced by the General Fund but will still require some ongoing adjustments to the Business Plan to ensure financial sustainability of the HRA.

Capital Expenditure

Despite the pressures the Council's revenue budgets face investment in the Council's assets, to maintain income generating assets, provide new income generating assets and support service delivery is still critical. The Council's capital strategy plans to deliver projects to the value of £107m over the next five years, with £50m estimated to be spent in 2020/21. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development, the construction of an extra care facility at De Wint Court 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 funded through a combination of borrowing and 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. It is critical that there continues robust budget management of the HRA to continue to allow the required investment.

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 as well as potential reductions arising from the current economic conditions and legacy of COVID19.
- Collection rates for Council Tax, Business Rates and Rents, which are currently being detrimentally impacted by COVID19.
- Income received compared to income targets (e.g. car parking, planning and building control), income in these areas

plummeted during 'lockdown' and whilst they are now beginning to recover there is a significant shortfall in comparison to pre-COVID19 levels.

- 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.
- Grant support provided by Central Government to mitigate cash-flow implications arising from COVID19.

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 2025 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 delivering homes and infrastructure, stimulating jobs and growth, tackling climate change, providing and enhancing support systems for our vulnerable residents, and pursuing a Towns Fund Deal. The recovery and growth of the City's economy is now more important than ever.



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.

Further Information

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

J Gibson ACCA
Chief Finance Officer
(Section 151 Officer)

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2019 to 31 March 2020 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on **To Be Confirmed**

Councillor Sue Burke
Chair of Council

Date: 24th September 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 2020 and its income and expenditure for the year ended on that date.

J Gibson ACCA
Chief Finance Officer
Date: 28th August 2020

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 2018	1,610	10,170	1,021	12,841	9,245	385	35,272	165,464	200,736
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

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 2019/20									
Surplus or (deficit) on provision of services	(5,712)	0	11,900	0	0	0	6,188	0	6,188
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	28,562	28,562
Total Comprehensive Expenditure and Income	(5,712)	0	11,900	0	0	0	6,188	28,562	34,750
Adjustments between accounting basis & funding basis under regulations (note 9)	6,106	0	(12,294)	10,234	723	4,660	9,430	(9,430)	0
Other adjustments	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	394	0	(394)	10,234	723	4,660	15,618	19,132	34,750
Transfers (to)/from Earmarked Reserves	(7)	(357)	364	(6,790)	(150)	0	(6,940)	6,940	0
Increase/Decrease in Year	387	(357)	(30)	3,444	573	4,660	6,728	26,072	34,750
Balance at 31 March 2020 carried forward	2,236	11,589	995	9,119	5,147	5,224	34,310	206,513	240,823

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

2018/19			Note	2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
40,559	(34,045)	6,514		36,366	(29,507)	6,859
2,957	(2,165)	792		3,462	(2,389)	1,074
20,804	(28,415)	(7,611)		17,279	(28,578)	(11,299)
18,721	(10,941)	7,780		19,757	(11,174)	8,583
960	(371)	589		681	(548)	133
1,152	(423)	729		(92)	(50)	(141)
85,153	(76,360)	8,793	Cost of Services	77,453	(72,246)	5,207
		1,393	Other Operating Expenditure			813
		2,699	Financing and Investment Income and Expenditure	11		7,434
		(17,625)	Taxation and Non-Specific Grant Income	12		(19,643)
		(4,738)	(Surplus) or Deficit on Provision of Services	13,37		(6,188)
		(10,320)	(Surplus) or deficit on revaluation of non-current assets	14,22		(4,914)
		0	Impairment Losses on Non- Current Assets charged to the Revaluation Reserve			0
		(325)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	26e		26
		10,045	Total re-measurements on defined benefit obligation	44		(23,674)
		(600)	Other Comprehensive Income and Expenditure			(28,562)
		(5,338)	Total Comprehensive Income and Expenditure			(34,750)

BALANCE SHEET AS AT 31 MARCH 2020

31 March 2019 £'000		Notes	31 March 2020 £'000
361,380	Property, Plant & Equipment	14,39,41	376,194
6,092	Heritage Assets	15	6,092
30,478	Investment Property	14,16	34,646
361	Intangible Assets	14,17,39	309
798	Long Term Investments	18,47	772
1,035	Long Term Debtors	18,47	950
400,144	Long Term Assets		418,962
1,500	Assets Held for Sale	22	1,500
29,216	Short Term Investments	18,47	30,609
88	Inventories	19	138
1	Cash at Bank	21	3
9,778	Short Term Debtors	18,20,47	11,506
40,583	Current Assets		43,756
(613)	Cash and Cash Equivalents	18,21,47	(326)
(21,476)	Short Term Borrowing	18,47	(11,460)
(12,987)	Short Term Creditors	18,23,47	(15,265)
(35,076)	Current Liabilities		(27,051)
(105)	Long Term Creditors	18,47	0
(3,428)	Provisions	24	(2,405)
(95,354)	Long Term Borrowing	18,47	(110,448)
(100,690)	Other Long Term Liabilities	44	(81,989)
(199,577)	Long Term Liabilities		(194,842)
206,074	Net Assets		240,823
25,633	Usable reserves	10,25	34,312
180,441	Unusable Reserves	26	206,511
206,074	Total Reserves		240,823

CASH FLOW STATEMENT

2018/19		Notes	2019/20
£'000			£'000
4,739	Net surplus or (deficit) on the provision of services		6,188
14,010	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	15,671
(5,613)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(9,352)
13,136	Net cash flows from Operating Activities		12,507
(45,724)	Investing Activities	30	(13,907)
31,100	Financing Activities	31	1,690
(1,488)	Net (increase) or decrease in cash and cash equivalents		290
876	Cash and cash equivalents at the beginning of the reporting period		(612)
(612)	Cash and cash equivalents at the end of the reporting period	21	(322)

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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, which may also include casting variances. 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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 (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

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of 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's liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest cost on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 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. Interests in Companies and other Entities

Councils are required to produce Group Accounts to include services offered to Council Tax payers by organisations other than the Council itself but in which the Council has an interest. There are a number of criteria set out by which the Council must determine whether the value of the company and the Council's interest is significant enough for Group Accounts to be produced. The Council has complied with the Code of Practice on Local Authority Accounting, and while it has identified a company over which it has joint control, it has concluded that the company does not meet the criteria that would require consolidation into the Council's accounts on materiality grounds.

14. Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is 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.

15. Investment Property

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

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.

16. 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.

17. 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.

18. 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.

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

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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 following Accounting Standards and amendments have been issued but will not be adopted until the 2020/2021 financial year.

- **Amendments to IAS28 Investments in Associates and Joint Ventures** – clarifies that IFRS9 applies to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- **Annual Improvements to IFRS Standards 2015 – 2017 Cycle.**
- **Amendments to IAS19 Employee Benefits** – When a plan amendment, curtailment or settlement occurs during a reporting period, entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period (only where material for the readers of the accounts).

These accounting changes will be required from 1 April **2020**.

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. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. As the Council cannot be dissolved without statutory prescription, the accounts will be prepared on a going concern basis.
- **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.
- **Brexit** – The decision to leave the European union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020. This began the transition period that is set to end on the 31 December 2020. It is still unclear at this point what the implications of withdrawal from the EU might be for this Council and Local Government.

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 2020 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
Revenue Costs and Reserves	The outbreak of COVID19, declare b the World Health Organisation as a Global Pandemic on the 11 March 2020 has impacted on global financial markets and market activity is being impacted in may sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus. This has significantly impacted on the Councils ability to generate income. The Council has also had to perform additional duties which has resulted in additional costs. Whilst there has been some financial support from Government the full impact of this will not be known until later in 2020/21.	
Business Rates (Balance Sheet 31 March 2020 – Provision for Business Rate Appeals £2.275m)	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 2019/20 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 2020. 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 (40%) of the balance of business rates appeals at 31 March 2020 amounted to £2.275m, an decrease of £1.011m (30.8%) from the previous year. This is mainly due to leaving the 'pilot' scheme which the Council participated in during 2018/19 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 £0.227m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment (PPE)</p> <p>(Balance Sheet 31 March 2020 – PPE £376m)</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.</p> <p>Due to many economic factors that impact on the property investment and letting markets and the uncertainty around the UK leaving the EU, there is potential for significant change in the value in the retail property market.</p> <p>In addition, COVID19 has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The property valuations have therefore been reported by our valuers on the basis of 'material valuation uncertainty'. The valuations therefore have less certainty and should be viewed with a higher degree of caution than would normally be the case.</p>	<p>If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.073m and for council dwellings £0.216m for every year that the useful lives had to be reduced.</p>
<p>Assets held for sale and investment properties</p> <p>(Balance Sheet 31 March 2020</p> <ul style="list-style-type: none"> - assets held for sale £1.5m - Investment properties £34.3m) 	<p>Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.</p>	<p>A 1% reduction in the value of investment properties and assets held for sale would result in a charge to the Comprehensive Income & Expenditure Statement of £0.358m; a 1% increase in value would result in the recognition of a gain of £0.358m in the Comprehensive Income & Expenditure Statement.</p>

<p>Arrears</p> <p>Balance Sheet 31 March 2020 - Debtors total of £16m includes £3.93m debtors (subject to arrears)</p>	<p>As at 31 March 2020, the Council had a balance on current debtors of £16m. A review of significant balances suggested that an impairment of doubtful debts of £3.93m was required.</p>	<p>If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.2m to be set aside as an allowance.</p>
<p>Pension Liability</p> <p>(Balance Sheet 31 March 2020 - pensions liability £81.989m)</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 £19.325m.</p>
<p>Investments</p> <p>(Balance Sheet 31 March 2020 - Short term investments £30.55m - Long term investments £0.95m)</p>	<p>At 31 March 2020, the Council held £30.55m of short term investments. These comprise £18.55m invested in AAA-rated instant access Money Market Funds and £12m 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

There were no prior period adjustments in 2019/20.

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st August 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The decision to leave the European Union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. It is still unclear what the implications of withdrawal from the EU might be for this Council and Local Government as a sector.

The outbreak of the COVID-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus with no determined end date. The impact of the virus presents uncertainty for the UK and its economy and Local Government as a sector. On the 1 April 2020, the Government provided the council with £22.188m grant funding for business support packages to be delivered by the council. The council will receive a further £1.2m in respect of NNDR reliefs.

These events are non-adjusting for which no estimates of its financial effect on the reporting entry has been made.

Note 7 – Expenditure and Funding Analysis

2018/19

2019/20

Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
6,166	519	(171)	6,514	Chief Executive's Directorate	4,994	349	1,516	6,859
296	0	496	792	Housing and Regeneration	717	0	356	1,073
(2,997)	0	(4,614)	(7,611)	Housing Revenue Account (HRA)	(2,849)	0	(8,450)	(11,299)
5,492	107	2,181	7,780	Communities and Environment	5,674	99	2,810	8,583
452	0	137	589	Major Developments	229	0	(96)	133
43	818	(132)	729	Corporate Services	194	818	(1,154)	(142)
9,452	1,444	(2,103)	8,793	Net Cost Of Services	8,960	1,266	(5,019)	5,207
(11,471)	(1,444)	(616)	(13,531)	Other Income and Expenditure	(8,960)	(1,266)	(1,170)	(11,396)
(2,019)	0	(2,719)	(4,738)	(Surplus) or Deficit on Provision of Services	0	0	(6,189)	(6,189)
<u>GF</u>		<u>HRA</u>	<u>Total</u>		<u>GF</u>		<u>HRA</u>	<u>Total</u>
(11,689)		(1,112)	(12,801)	Opening Balance	(13,706)		(1,115)	(14,821)
(2,017)		(3)	(2,020)	Less/ Plus Surplus or (Deficit) in Year	(120)		120	0
(13,706)		(1,115)	(14,821)	Closing Balance at 31 March	(13,826)		(995)	(14,821)

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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								
2018/19					2019/20			
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
(1,153)	992	(10)	(171)	Chief Executive's Directorate	188	1,316	12	1,516
187	307	2	496	Housing and Regeneration	2	347	7	356
(5,878)	1,266	(2)	(4,614)	Housing Revenue Account (HRA)	(10,254)	1,796	8	(8,450)
1,389	794	(2)	2,181	Communities and Environment	1,740	1,067	3	2,810
74	61	2	137	Major Developments	(196)	96	4	96
0	(132)	0	(132)	Corporate	0	(1,154)	0	(5,019)
(5,381)	3,288	(10)	(2,103)	Net Cost of Services	(8,521)	3,468	34	
(1,369)	1,499	(746)	(616)	Other Income & Expenditure from the Funding Analysis	(3,619)	1,505	944	(1,170)
(6,750)	4,787	(756)	(2,719)	Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(12,140)	4,973	978	(6,189)

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Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2018/19	2019/20
	£'000s	£'000s
Chief Executive's Directorate	(4,787)	(6,031)
Housing & Regeneration	(896)	(982)
Housing Revenue Account (HRA)	(28,911)	(29,033)
Communities & Environment	(10,355)	(11,052)
Major Developments	(156)	(412)
Corporate	(0)	(0)
Total Income analysed on a Segmental Basis	(45,104)	(47,510)

Note 8 – Expenditure and Income Analysed by Nature

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

	2018/19	2019/20
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	24,528	26,148
Other Services Expenses	65,651	64,163
Support Service Recharges	2,672	2,815
Depreciation, Amortisation and Impairment	5,768	5,068
REFCUS	0	479
Interest Payments	9,144	9,708
Precepts and Levies	818	828
Payments to Housing Capital Receipts Pool	760	729
Total Expenditure	109,341	109,938
Income		
Fees, Charges and other Service Income	(61,920)	(64,890)
Interest and Investment Income	(3,679)	(3,582)
Income from Council Tax and Non-Domestic Rates	(15,409)	(12,462)
Government Grants and Contributions	(32,512)	(34,427)
Gain/Loss on Disposal	(560)	(766)
Total Income	(114,080)	(116,128)
Surplus or Deficit on the Provision of Services	(4,739)	(6,188)

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.

2019/20	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)	3,177	1,796	0	0	0	4,973
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	944	0	0	0	0	944
Holiday Pay (transferred to the Accumulated Absences Reserve)	26	8	0	0	0	34
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)	2,429	(9,695)	0	6,646	6,418	5,797
Total Adjustments to Revenue Resources	6,573	(7,891)	0	6,646	6,418	11,746
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(766)	2,934	0	0	2,168
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	729	0	(729)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(3,637)	0	3,637	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(995)	0	(150)	0	0	(1,145)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(202)	0	0	0	0	(202)
Total Adjustments between Revenue and Capital Resources	(467)	(4,403)	2,055	3,637	0	821
Adjustments to Capital Resources						

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2019/20	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,482)			(1,482)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(6,790)	0	(6,790)
Application of Capital grants to finance capital expenditure	0	0	0		(1,758)	(1,758)
Total Adjustments to Capital Resources	0	0	(1,482)	(6,790)	(1,758)	(10,030)
Total Adjustments	6,106	(12,294)	573	3,493	4,660	2,537

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					Movement In Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'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)

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 @ 31.03.18 £'000	Movements	Appropriations		Balance @ 31.03.19 £'000	Movements	Appropriations		Balance @31.03.20 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
General Fund									
Business Rates Volatility	539	0	917	0	1,456	0	800	(297)	1,959
Strategic Projects	496	0	0	(193)	303	0	0	(157)	146
Budget Carry Forwards	324	(46)	47	(130)	194	(22)	34	(72)	134
Grants & Contributions	787	0	850	(93)	1,545	(79)	1,476	(1,836)	1,106
Invest to Save (GF)	307	69	137	(86)	427	0	32	(123)	336
Mercury Abatement	378	0	94	(58)	414	0	14	(56)	371
Strategic Growth (GF)	100	0	0	(86)	14	0	43	0	57
Unused DRF	221	109	111	(238)	203	0	0	0	203
Backdated Rent Review	220	0	0	0	220	0	0	(50)	170
Funding for Strategic Priorities	28	(60)	1,337	(91)	1,214	5	0	(292)	926
IT Reserve	217	0	100	(317)	0	0	129	(35)	94
Revenues & Benefits Shared Service	163	0	45	(45)	163	0	25	(163)	25
Asset Improvement	72	0	0	(17)	55	0	0	(51)	4
Tree Risk Assessment	106	0	37	(35)	108	0	36	(38)	106
MA Reserve	51	0	0	(51)	0	0	0	0	0
Organisational Development	8	0	76	0	85	0	0	(85)	0
Mayoral Car	47	0	0	0	47	0	0	0	47
Yarborough Leisure Centre	2	0	0	0	2	0	0	0	2
Private Sector Stock Condition Survey	63	0	12	(30)	45	0	48	(48)	45
Property Searches	36	0	0	(32)	4	0	0	0	4
Managed Workspace	35	0	0	(35)	0	0	0	0	0
Boston Audit Contract	14	0	0	0	14	0	0	0	14
Section 106 Interest	32	0	0	0	32	0	0	0	32
Crematorium	0	0	0	0	0	100	0	(100)	0
Christmas Decorations	17	0	0	0	17	(3)	0	0	14
Electric Van Replacement	22	(16)	4	0	11	0	4	0	15

	Balance	Movements	Appropriations		Balance	Movements	Appropriations		Balance
	@ 31.03.18		Transfers In	Transfers Out	@ 31.03.19		Transfers In	Transfers Out	@31.03.20
	£'000		£'000	£'000	£'000		£'000	£'000	£'000
Air Quality Initiatives	23	0	6	(18)	10	0	5	0	15
Commons Parking	27	0	6	(8)	25	0	11	(9)	27
Tank Memorial	10	0	0	0	10	0	0	0	10
Income Volatility Reserve	178	0	0	(178)	0	0	0	0	0
HRS Reserve	89	0	0	0	89	0	0	(89)	0
City Hall Sinking Fund	36	0	24	0	60	0	0	0	60
Birchwood Leisure Centre	0	0	0	0	0	0	26	0	26
Covid Response	0	0	0	0	0	0	354	0	354
MSCP & Bus Station	0	0	0	0	0	0	60	0	60
Western Growth Corridor Plan	0	0	0	0	0	0	150	0	150
Total General Fund Earmarked Reserves	4,648	56	3,803	(1,741)	6,766	0	3,247	(3,501)	6,512
HRA									
HRA Strategic Growth	178	0	0	(153)	25	0	76	0	101
HRA Invest to Save	140	0	0	0	140	0	0	(7)	133
Capital Fees Equalisation	238	0	0	(56)	182	0	0	(42)	140
HRA Strategic Priority	240	0	0	0	240	0	0	(64)	176
De Wint Court	73	0	0	0	73	0	0	0	73
HRA Repairs Account	624	0	13	(58)	579	0	17	0	595
HRA Survey Works	57	0	3	0	60	0	3	(9)	54
Stock Retention	22	0	0	0	22	0	0	0	22
Housing Repairs Service	0	0	0	0	0	0	126	0	126
Total HRA Earmarked Reserves	1,572	0	16	(267)	1,321	0	222	(122)	1,420
Total Earmarked Reserves	6,220	56	3,819	(2,008)	8,087	0	3,469	(3,623)	7,932
Insurance Fund	3,950	0	139	(227)	3,862	0	445	(650)	3,657
Total Earmarked Reserves	10,170	56	3,958	(2,235)	11,949	0	3,914	(4,273)	11,589

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 **2019/20** 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:

RESTATED		2019/20
2018/19		£'000
£'000		£'000
3,950	Opening Balance	3,862
(247)	Funding of claims/losses	(150)
425	Contributions from revenue	425
20	Interest on balances	20
(286)	Contributions from reserve	(500)
<u>3,862</u>	Closing Balance	<u>3,657</u>

Note 11 – Other Operating Expenditure

2018/19		2019/20
£'000		£'000
818	Levies	828
760	Payments to the Government Housing Capital Receipts Pool	729
(185)	(Gains)/losses on the disposal of non-current assets	(744)
<u>1,393</u>	Total	<u>813</u>

Note 12 - Financing and Investment Income and Expenditure

2018/19		2019/20
£'000		£'000
3,302	Interest payable and similar charges	3,916
2,337	Net interest on the net defined liability	2,452
(2,769)	(Surplus)/Deficit on Trading Operations	1370
0	Dividends Receivable	(26)
(171)	Interest Receivable and similar income	(230)
<u>2,699</u>	Total	<u>4,693</u>

Note 13 – Taxation and Non-Specific Grant Income

2018/19		2019/20
£'000		£'000
(6,452)	Council Tax income	(6,675)
(8,958)	Retained Business Rates income and expenditure	(6,062)
(1,031)	Non ring-fenced government grants	(488)
(1,183)	Capital grants and contributions	(6,418)
<u>(17,624)</u>	Total	<u>(19,643)</u>

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 2019/20											
	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 2019	249,411	93,811	10,680	0	4,955	11,823	1,679	372,358	1,932	30,478	404,768
Additions	10,768	236	2,203	0	256	0	1,126	14,589	55		14,644
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	74	3204	0	0	0	89	0	3,368			3,368
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(442)	(152)	0	0	0	0	(53)	(646)		(2,741)	(3,387)
De-recognition and disposals	(2,202)	0	0	0	0	0	0	(2,202)		(20)	(2,222)
Other movements in cost or valuation	(2)	(7,879)	7	0	0	7,838	(12)	(48)		6,929	6,881
At 31 March 2020	257,607	89,222	12,890	0	5,211	19,750	2,740	387,418	1,992	34,646	424,056
Depreciation											
At 1 April 2019	(14)	(2,739)	(8,102)	0	(119)	(5)	0	(10,980)	(1,571)	0	(12,551)
Depreciation for year	(6,354)	(1,699)	(544)	0	0	(2)	0	(8,600)	(112)	0	(8,712)
Depreciation written out to the Revaluation Reserve	0	1,545	0	0	0	1	0	1,546	0	0	1,546

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Movements in 2019/20											
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,294	435	0	0	0	0	0	6,729	0	0	6,729
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	54	0	0	0	0	0	0	54	0	0	54
De-recognition – other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	1	0	0	0	(1)	0	0	0)	0	(0)
At 31 March 2020	(20)	(2,457)	(8,646)	0	(119)	(7)	0	(11,249)	(1,683)	0	(12,932)
Net book value of assets at 31.03.20											
	257,587	86,763	4,244	0	5,092	19,744	2,740	376,168	309	34,646	411,123
Net book value of assets at 31.03.19											
	249,397	91,072	2,578	0	4,836	11,818	1,679	361,379	360	30,478	392,217
Owned											
	257,587	86,763	4,053		5,092	19,743	2,740	375,977	309	34,646	412,882
Finance lease											
			191					191	0	0	191

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	228,597	92,544	10,346	0	4,306	2,864	4,898	343,555	1,882	16,225	361,662
Additions	13,608	718	433	0	680	1,935	9,413	26,787	50	11,220	38,057
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	11,615	(1,124)	420	0	(33)	1,200	(12,632)	(554)	0	1,735	1,181
At 31 March 2019	249,410	93,811	10,680	0	4,955	11,823	1,679	372,358	1,932	30,478	404,768
Depreciation											
At 1 April 2018	(10)	(2,304)	(8,138)	0	(119)	(5)	0	(10,576)	(1,313)	0	(11,889)
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

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
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	(20)	(36)	0	0	3	0	(53)	(24)	0	(77)
At 31 March 2019	(14)	(2,739)	(8,102)	0	(119)	(5)	0	(10,980)	(1,571)	0	(12,551)
Net book value of assets at 31.03.19	249,397	91,072	2,578	0	4,836	11,818	1,679	361,379	360	30,478	392,217
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
Owned	249,397	91,072	2,194	0	4,836	11,818	1,679	360,995	360	30,478	391,833
Finance lease	0	0	384	0	0	0	0	384	0	0	384

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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			5,092	4,053		2,740
Valued at current value as at:						
31/03/2020	257,474	38,594			1,504	
31/03/2019	67	23,399			17,126	
31/03/2018		6,433			905	
31/03/2017		14,157			0	
31/03/2016		2,409			126	
Total cost or valuation	257,541	84,992	5,092	4,053	19,661	2,740

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 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
Cost or Valuation					
At 1 April 2019	38	3,285	2,359	409	6,091
Additions					0
De-recognitions					0
Revaluations					0
At 31 March 2020	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
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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:

2018/19 £'000		2019/20 £'000
1,196	Rental income from investment property	2,329
(198)	Direct operating expenses arising from investment property	(83)
1,620	Fair value gains/(losses) on investment properties	(2,741)
374	Gains/(losses) on disposal of investment properties	22
2,993	Net gain/(loss)	(473)

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:

2018/19 £'000		2019/20 £'000
16,225	Balance at 1 April	30,478
11,220	Additions	6,888
(322)	Disposals	(20)
1,620	Net gain/loss from Fair Value Adjustment	(2,741)
1,735	Transfers (to)/from Other Land and Buildings	41
30,478	Balance at 31 March	34,646

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 25 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 2020 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 £112k was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The Council has the following investments at 31 March 2020:

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 was £245k. 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 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.

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:

	31/03/2019	31/03/2020
	£000	£000
Non-listed securities	504	504
Total	504	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 2020

	Unquoted Shares	Other	Total
	£000	£000	£000
Opening Balance	294	0	294
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	(26)	0	(26)
Additions	0	0	0
Disposals	0	0	0
Closing Balance	268	0	268

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

Summary of Financial Instruments		31/3/19	31/3/20
		£000s	£000s
Financial Liabilities at amortised cost			
Long Term Borrowing	Level 1	(95,354)	(110,448)
Short Term Borrowing	Level 1	(21,475)	(11,254)
Long Term Creditors	Level 1	(105)	0
Short Term Creditors	Level 1	(6,636)	(8,844)
Cash and Cash Equivalents	Level 1	(613)	(626)
Total Financial Liabilities		(124,183)	(131,172)
Financial Assets at amortised cost			
Short Term Investments	Level 1	29,216	30,609
Long Term Debtors	Level 1	1,035	950
Short Term Debtors	Level 1	9,770	10,516
Cash and Cash Equivalents	Level 1	0	0
Total Financial Assets		40,021	42,075
Financial Assets at FVOCI*			
Long Term Investments	Level 2/3**	798	772
Total Assets at FVOCI		798	772

*Fair Value through Other Comprehensive Income

** See table below for detail

There have been no transfers between levels in the hierarchy during 2019/20.

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:

2019/20	Financial Liabilities		Financial Assets		Total
	Amortised Cost		FVOCI		
	£000	£000	£000	£000	
Interest Expense	3,916				3,916
Interest Income credited to services		(225)			(225)
Dividend Income			(26)		(26)
Surplus or deficit arising on revaluation of financial assets			26		26
Net (gain)/loss for the year	3,916	(225)	0		3,691

2018/19				
Interest Expense	3,302			3,302
Interest Income		(147)	(24)	(171)
Surplus or deficit arising on revaluation of financial assets			(326)	(326)
Net (gain)/loss for the year	3,302	(147)	(350)	2,805

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 31/3/20	As at 31/3/19
			£'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	504
Equity shareholding in Investors in Lincoln	Level 3	Discounted cash flow *	268	294
Total			772	798

* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £267,793 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

31/03/19			31/03/20	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
72,959	85,814	PWLB Debt	96,116	102,874
16,175	26,771	Money Market Debt	16,175	26,540
565	565	Stock	565	561
27,130	27,126	Other	9,017	9,074
105	105	Lease Liabilities	0	0
116,934	140,381	Total Debt	121,873	139,049

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

31/03/19			31/03/20	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
29,216	29,216	Money Market Investments <1 year	30,609	30,609
0	0	Money Market Investments >1 year	0	0
1,035	1,035	Long Term Debtors	950	950
30,251	30,251	Total Investments	31,559	31,559

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 £102.874m 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 £96.116m would be valued at £102.874m. 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 £142.287m.

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	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Balance outstanding at the start of the year	73	85	5	2	142	0	220	87
Purchases	24	58	0	0	0	0	24	58
Recognised as an expense in the year	(11)	(5)	(3)	0	(142)	0	(156)	(5)
Balance outstanding at the year-end	85	138	2	2	0	0	88	140

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:

31/03/19		31/03/20
£'000		£'000
1,473	Central Government Bodies	1,163
2,044	Other Local Authorities	3,195
1	NHS Bodies	2
10,328	Other Entities and Individuals	11,076
13,846	Total Short-Term Debtors	15,436
(4,068)	Less Impairment Loss Allowance	(3,930)
9,778	Net Short-Term Debtors as per Balance Sheet	11,506

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:

31/03/19		31/03/20
£'000		£'000
127	Less than three months	109
268	Three to six months	316
606	Six months to one year	545
5,268	More than one year	5,854
6,269	Total	6,824

Note 21 – Cash and Cash Equivalents

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

31/03/19		31/03/20
£'000		£'000
1	Cash held by the Council	3
(613)	Bank Current accounts	(329)
(612)		(326)

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 1 piece of development land as assets held for sale at the beginning of the year. The sale of the asset has been approved but was not completed as at 31st March 2021. The asset is included as Current Assets as at 31st March 2021.

Current 2018/19 £000		Current 2019/20 £000
4,575	Balance at start of the year	1,500
0	Additions	0
	Newly classified:	
15	- Property Plant & Equipment	0
0	Revaluation gain/(loss)	0
(1,200)	Transfers from AHFS	0
(1,890)	Disposals	0
<u>1,500</u>	Closing Balance	<u>1,500</u>

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:

31/03/19 £'000		31/03/20 £'000
(1,137)	Central Government Bodies	(6,740)
(3,422)	Other Local Authorities	(567)
(8,428)	Other Entities and Individuals	(7,958)
<u>(12,987)</u>	Total	<u>(15,265)</u>

Note 24 – Provisions

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

	Business Rates RV Reduction the Think Tank	Compulsory Purchase Order	Local Authority Mortgage Scheme	Business Rates Appeals
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(37)	(91)	(14)	(2,191)
Additional Provisions made in 2019/20	0	(3)	0	(637)
Amounts used in 2019/20	0	0	14	23
Unused Amounts Reversed in 2019/20	0	0	0	530
Unwinding of Discounting in 2019/20	0	0	0	0
Balance at 31 March 2020	(37)	(94)	0	(2,275)

The provision for business rate appeals represents the Council's share (40% of £5.477m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2020. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

Note 25 – Usable Reserves

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

Note 26 – Unusable Reserves

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

Reserve	Balance 31/03/19	Net Movement in Year	Balance 31/03/20	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	30,794	4,570	35,365	Store of gains on revaluation of assets	a) below
Pensions Reserve	(100,690)	18,701	(81,989)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	248,888	3,7552	252,643	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	(55)	2	(53)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	783	(26)	757	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	72	(46)	26	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below

Reserve	Balance 31/03/19	Net Movement in Year	Balance 31/03/20	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Collection Fund Adjustment Account - NNDR	1,016	(898)	118	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(425)	(34)	(460)	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
	180,440	26,024	206,464		

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.

2018/19 £'000		2019/20 £'000
(20,604)	Balance 1 April	(30,795)
(10,335)	Upward Revaluation of assets	(4,914)
14	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	0
<hr/>		<hr/>
(10,321)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(35,709)
130	Difference between fair value depreciation and historical cost depreciation	0
0	Accumulated gains on assets sold or scrapped	0
0	Amounts written out to the Capital Adjustment Account	343
0	Amounts written out to the Capital Adjustment Account Prior period adjustment	0
<hr/>		<hr/>
<u>(30,795)</u>	Balance 31 March	<u>(35,366)</u>

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.

2018/19 £'000		2019/20 £'000
(230,354)	Balance 1 April	(248,888)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,064	Charges for depreciation and amortisation of non-current assets	8,712
76	Other movements of depreciation	0
(1,394)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(3,394)
(1,620)	Fair value movements on Investment Properties	
897	Revenue expenditure funded from capital under statute	479
3,872	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	2,168
5	Other adjustments	
9,900		7,965
(131)	Adjusting amounts written out of the Revaluation Reserve	(344)
9,769	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
	Net written out amount of the cost of non-current assets consumed in the year	7,621
	Capital Financing applied in year:	
(8,192)	Use of Capital Receipts to finance new capital expenditure	(1,758)
(150)	Use of Capital Receipts to reduce capital financing requirement	(150)
(13,160)	Use of the Major Repairs Reserve to finance new capital expenditure	(6,790)
(4,956)	Capital expenditure charged against the General Fund and HRA balances	(202)
(1,004)	Application of Capital Grants to finance new capital expenditure	(1,482)
(842)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(995)
(28,303)		(11,376)
(248,888)	Balance 31 March	(252,643)

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:

2018/19 £'000		2019/20 £'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.

2018/19 £'000		2019/20 £'000
58	Balance 1 April	55
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(3)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
55	Balance 31 March	53

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

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	2019/20 £'000
Balance 1 April	0
Transfer from Available for Sale Financial Instruments Reserve	(783)
(Gain)/Loss on FVOCI revaluations in year	26
Balance 31 March	(757)

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.

2018/19 £'000		2019/20 £'000
(45)	Balance 1 April	(72)
(27)	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	46
<u>(72)</u>	Balance 31 March	<u>(26)</u>

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.

2018/19 £'000		2019/20 £'000
(297)	Balance 1 April	(1,016)
(719)	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	898
<u>(1,016)</u>	Balance 31 March	<u>(118)</u>

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.

2018/19 £'000		2019/20 £'000
435	Balance 1 April	425
(435)	Settlement or cancellation of accrual made at the end of the preceding year	(425)
425	Amounts accrued at the end of the current year	460
(10)	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	34
425	Balance 31 March	460

Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
147	Interest received	187
(3,121)	Interest paid	(3,638)
0	Dividends Received	26
<u>(2974)</u>		<u>(3,425)</u>

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

2018/19 £'000		2019/20 £'000
7,906	Depreciation	8,600
(3,016)	Impairment and downward valuations	(6,135)
234	Amortisation	112
0	Increase/(decrease) in impairment for bad debts	0
(309)	Increase/(decrease) in creditors	6,014
182	(Increase)/decrease in debtors	(1,709)
132	(Increase)/decrease in inventories	(50)
4,786	Movement in pension liability	4,973
3,872	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,148
223	Other non-cash items charged to the net surplus or deficit on the provision of services	1,718
<u>14,010</u>		<u>15,671</u>

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

2018/19 £'000		2019/20 £'000
(4,430)	Proceeds from sale of PPE, investment property and intangible assets	(2,934)
(1,183)	Any other items for which the cash effects are investing or financing cash flows	(6,418)
<u>(5,613)</u>		<u>(9,352)</u>

Note 30 – Cash Flow Statement - Investing Activities

2018/19 £'000		2019/20 £'000
(37,673)	Purchase of property, plant and equipment, investment property and intangible assets	(21,975)
(29,200)	Purchase of short-term and long-term investments	(131,555)
(902)	Other payments for investing activities	0
4,430	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,934
15,600	Proceeds from short-term and long-term investments	130,205
2,021	Other receipts from investing activities	6,484
<u>(45,724)</u>	Net cash flows from investing activities	<u>(13,907)</u>

Note 31 – Cash Flow Statement - Financing Activities

2018/19 £'000		2019/20 £'000
(234)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(237)
38,000	Cash receipts of short & long-term borrowing	250,001
5	Other receipts from financing activities	0
(3,750)	Repayments of short- and long-term borrowing	(20,201)
(2,921)	Other payments for financing activities	(2,873)
<u>31,100</u>	Net cash flows from financing activities	<u>1,690</u>

Reconciliation of liabilities arising from financing activities

2019/20	RESTATED 01/04/2019	Financing Cash Flows		Non-Cash movements	31/03/2020
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	95,354	25,000	(201)	(7,205)	112,948
Short Term Borrowing	21,476		(20,000)	7,205	8,681
Lease liabilities	342	0	(237)		105
Total Liabilities from financing activities	117,172	38,000	(20,438)	91	121,734

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.

2018/19				2019/20		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
170	(234)	(64)	Markets	154	(232)	(78)
1,937	(5,054)	(3,117)	Car Parks	2,102	(5,559)	(3,457)
2,107	(5,289)	(3,182)	(Surplus)/Deficit applicable to a service	2,256	(5,791)	(3,535)
7,527	(7,412)	116	HRS	8,473	(7,734)	739
271	(164)	107	City Bus Station	267	(168)	99
53	(1,535)	(1,482)	Industrial Estates	(210)	(378)	(588)
145	(1,655)	(1,511)	Lincoln Properties	3,072	(1,951)	1,120
7,997	(10,766)	(2,769)	(Surplus)/Deficit not applicable to a service	11,601	(10,231)	1,370
10,104	(16,055)	(5,951)	Total (Surplus)/Deficit	13,857	(16,022)	(2,164)

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 2019/20 totalled £242,113 (£237,618 in 2018/19).

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

2019/20						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	130,256	0	516	0	20,841	151,613
Strategic Director of Housing & Regeneration ²	91,197	0	321	0	14,592	106,110
Strategic Director of Communities & Environment	92,490	0	278	0	14,698	107,465
Strategic Director of Major Developments	91,008	0	0	0	14,561	105,569
Total	404,950	0	1,115	0	64,691	470,757

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 £6.9k relating to election expenses in 2019/20.
- 2) The salary costs for the Director of Housing & Regeneration is higher than 2018/19 due to previous year vacancy.

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	
	2019/20	2018/19
50,000 - 54,999	9	4
55,000 - 59,999	2	0
60,000 - 64,999	1	4
65,000 - 69,999	3	2
70,000 - 74,999	0	2
75,000 - 79,999	2	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 2019/20 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	1	0	3	0	4	0	49,546	0
£20,001 - £40,000	0	0	0	1	0	1	0	36,398
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	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							49,546	36,398
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							49,546	36,398

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

Note 36 – External Audit Costs

In 2019/20 the following fees relating to External Audit and Inspection were incurred and paid to Mazars, the Council's external auditors:

2018/19		2019/20
£'000		£'000
	<u>Fees payable for statutory audit services</u>	
36	Fees Payable with regard to external audit services carried out by the appointed auditor	36
36		36
	<u>Fees payable for other audit services</u>	
5	Fees payable with regard to other audit work	5
14	Fees payable for the certification of grant claims and returns	10
55	Total fee payable to external auditors	51

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2019/20 is an estimate, as the work will be carried out in the period August to December 2020.

Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £'000	Credited to Taxation and Non-Specific Grant Income	2019/20 £'000
0	Revenue Support Grant	(22)
(1,006)	New Homes Bonus	(721)
(8)	Transparency Code Setup Grant	0
(17)	Brexit	(35)
(1,031)	Total Non-Ring-fenced Grants shown on CIES	(778)
(777)	Disabled Facilities Grants	(756)
0	Section 106 agreement	(279)
0	Lincolnshire County Council	(1,400)
(47)	Heritage Lottery Fund	(37)
0	Football Foundation	(864)
0	Sport England	(81)
(82)	Leaseholder Contributions	(29)
0	Homes England	(2,954)
(225)	National Rail	0
(52)	Other Capital Grants and Contributions	(18)
(1,183)	Total Capital Grants and Contributions shown on CIES	(6,418)
(1,917)	S31 Grants included in Non-Domestic Rates Income on CIES	(1,953)
(4,132)	Total Non-Ringfenced Grants included in CIES	(9,148)
2018/19 £'000	Credited to Services	2019/20 £'000
(13,923)	Rent Allowances	(12,364)
(13,916)	Rent Rebates	(12,161)
(172)	Discretionary Housing Payments	(179)
(391)	Housing Benefit Administration	(345)
(213)	New Burdens Grant Determination	(154)
(313)	DCLG – Rogue Landlords	0
(143)	Local Council Tax Support Admin Subsidy	0
(66)	Home Office	(56)
0	Towns Fund	(173)
(780)	Homeless Specific	(1,281)
(143)	Controlling Migration	0
(229)	Other Grants	(225)
(30,290)	Total Grants and Contributions credited to Services	(26,936)
(34,421)	Total Grants, Contributions and Donated Assets	(36,085)

There was one grant received in advance in 2019/20. This was accrued into 2020/21.

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 2019/20 the Council sent a letter, dated 1 April 2020, 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 2019/20 were as follows:

2018/19		2019/20
£'000		£'000
433	Upper Witham Drainage Board	442
129	Witham 1 st Drainage Board	129
256	Witham 3 rd Drainage Board	257
818	Total	828

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

2018/19		2019/20
£'000		£'000
217	Lincoln Arts Trust	202
52	Lincoln Dial-a-Ride	52
56	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 (IIL).

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 2019, showing net assets of £4.669m and a profit of £50,875. 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.

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 2019/20 a surplus on the managed workspace units of £16,523 was attributable to the Council.

Details of amounts received from IIL during 2019/20 are shown below:

2018/19		2019/20
£'000		£'000
129	Property Management costs	132
90	Facility Fee	90
5	Management Fee	5

An amount of £16,818 was owed to IIL at 31st March 2020 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

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:

2018/19		2019/20
£'000		£'000
	Capital investment	
38,007	Property, Plant and Equipment	21,448
50	Intangible Assets	55
897	Revenue Expenditure Funded from Capital under Statute	479
38,954		21,982
	Sources of finance	
(8,192)	Capital Receipts	(1,482)
(1,004)	Government grants and other contributions	(1,758)
(4,956)	Revenue Contributions	(202)
(13,160)	Major Repairs Reserve	(6,790)
11,642	Capital Financing Requirement	10,232
	Capital Financing Requirement - Funded by:	
11,642	Unsupported Borrowing	11,750
11,642		11,750

Analysis of movements in the Capital Financing Requirement in Year:

109,480	Opening CFR	120,130
11,642	Unsupported borrowing	11,750
0	Adjustments in respect of leases disposed under finance lease	0
(842)	Minimum Revenue Provision/Voluntary Revenue Provision	(995)
(150)	Application of capital receipts to reduce CFR	(150)
0	Other	(50)
120,130	Closing CFR	130,686

The Council has a five-year Housing Investment programme, of which £9.76m 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 £0.478m is contractually committed. £0.162m relates to land and property expenditure in 2020/21 with the remainder to allow completion of schemes for Artificial Grass Pitches (£0.188m), Allotment Capital Improvement Programme (£0.001m), IT and Telephony schemes (£0.033m) and Car Park improvements (£0.094m).

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:

31/03/19		31/03/20
£'000		£'000
384	Vehicles, Plant and Equipment	192
384		192

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:

31/03/19		31/03/20
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
237	Current	105
105	Non-current	0
24	Finance costs payable in future years	2

	<u>Minimum Lease Payments</u>		<u>Finance Lease Liabilities</u>	
	31/03/19	31/03/20	31/03/19	31/03/20
	£'000	£'000	£'000	£'000
Not later than one year	258	107	237	105
Later than one year and not later than five years	108	0	105	0
Later than five years	0	0	0	0
	366	107	342	105

Operating leases

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

There are no future minimum lease payments due under non-cancellable leases in future years

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

RESTATED			
2018/19			2019/20
£'000			£'000
448	Vehicles Plant & Equipment		275
448	Minimum lease payments		275

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 2019/20.

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:

2018/19		2019/20
£'000		£'000
2,286	Not later than one year	1,928
4,573	Later than one year and not later than five years	7,432
19,728	Later than five years	23,554
26,587		32,914

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 2019/20, £0.381m contingent rents were received by the Council (2018/19 £0.335m).

Note 41 – Impairment Losses

There were no impairment losses during 2019/20.

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 2019/20, incurring liabilities of £0.036m (£0.050m in 2018/19) – 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.

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:

2018/19 £'000		2019/20 £'000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Net Cost of Services:	
5,497	Current Service Cost	6,844
968	Past Service Costs (including curtailments)	0
	Financing and Investment Income and Expenditure:	
2,337	Net Interest Expense	2,451
8,802	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	9,295

2018/19 £'000		2019/20 £'000
	Re-measurement of the net defined benefit liability comprising:	
(7,155)	Return on plan assets (excluding the amount included in the net interest expense)	14,077
0	Actuarial gains and losses arising on changes in demographic assumptions	(8,342)
17,138	Actuarial gains and losses arising on changes in financial assumptions	(19,888)
62	Other	(9,520)
10,045	Total re-measurements recognised in Other Comprehensive Income and Expenditure	(23,673)
18,847	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(14,378)

2018/19 £'000		2019/20 £'000
<u>Movement in Reserves Statement</u>		
8,802	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,295
(4,015)	Actual amount charged against the General Fund Balance for pensions in the year:	(4,323)

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:

2018/19 £'000		2019/20 £'000
(240,313)	Present value of the defined obligations	(209,420)
139,623	Fair value of plan assets	127,431
<u>(100,690)</u>	Net liability arising from defined benefit obligation	<u>(81,989)</u>

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

2018/19 £'000		2019/20 £'000
130,801	Opening fair value of scheme assets	139,623
3,505	Interest Income	3,341
7,155	The return on plan assets, excluding the amount included in the net interest expense	(14,077)
4,015	Contributions from employer	4,323
902	Contributions from employees into the scheme	965
(6,755)	Benefits Paid	(6,744)
<u>139,623</u>	Closing Fair value of scheme assets	<u>127,431</u>

Reconciliation of Present Value of the scheme liabilities:

2018/19 £'000		2019/20 £'000
216,659	Opening balance at 1 April	240,313
5,497	Current Service Cost	6,844
5,842	Interest Cost	5,792
902	Contributions from scheme participants	965
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	(8,342)
17,138	Actuarial gains/losses arising from changes in financial assumptions	(19,888)
62	Other	(9,520)
968	Past Service Cost	0
(6,755)	Benefits Paid	(6,744)
<u>240,313</u>	Closing Balance at 31 March	<u>209,420</u>

Local Government Pension Scheme assets comprised:

2018/19 £'000		2019/20 £'000
1,539	Cash and Cash Equivalents	762
	Equity Securities by industry type:	
15,746	Consumer	5,563
5,684	Manufacturing	3,735
3,183	Energy and utilities	1,512
8,283	Financial Institutions	3,568
6,186	Information Technology	4,458
9,403	Health and Care	8,726
0	Other	1,301
48,485	Sub-total equity	28,862
	Debt Securities by Sector	
0	Corporate	0
0	Government	0
0	Other	0
0	Sub-total bonds	0
	Real Estate	
11,165	UK Property	10,643
878	Overseas Property	837
12,043	Sub-Total property	11,480
	Private Equity:	
1,465	All	1,103
1,465	Sub-Total private equity	1,103
	Investment Funds and Unit Trusts	
38,540	Equities	39,894
2,637	Infrastructure	23,815
16,802	Bonds	2,844
18,112	Other	18,671
76,091	Sub-Total Investment Funds and Unit Trusts	85,224
139,623	Total assets	127,431

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 2019.

The significant assumptions used by the actuary have been:

2018/19		2019/20
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
22.1	Men	21.4
24.4	Women	23.7
	<u>Longevity (in years) at 65 for future pensioners:</u>	
24.1	Men	22.4
26.6	Women	25.2
2.9%	Rate of increase in salaries	2.2%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

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 % Increase to Employer Liability</u>	<u>Value £'000</u>
0.5% Decrease in Real Discount Rate	9%	19,325
0.5% Increase in the salary increase rate	1%	2,248
0.5% Increase in the pension increase rate	8%	16,889

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 2022.

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 2020/21 are estimated to be £4.341m.

Note 45 – Contingent Liabilities

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There are two contingent liabilities as at 31 March 2020.

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 2020.

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 24th February 2020. 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 2019/20 were:

- The Authorised Limit for 2019/20 was forecast to be £151m (revised to £148.45m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £137.4m (revised to £133.25m). 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 £112.1m and £47.3m 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 2019/20 was approved by full Council on 24th February 2020.

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 31/03/20	Historical experience of default	Adjustment for market conditions at 31/03/20	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	c	(a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	18,557	0.0000%	0.0000%	0
• AA-* rated counterparties (investments up to 1 year)	5,978	0.0005%	0.0005%	0
• A* rated counterparties (investments up to 1 year)	1,001	0.0024%	0.0024%	0
• A+* rated counterparty (investments up to 1 year)	5,073	0.011%	0.011%	1
Debtors	10,516	7.17%**	7.17%	754
	41,125			755

*See Glossary for a definition of ratings

**based on historical experience – this may change in future years due to the effect of Covid 19.

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

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

Analysis of Investments by country of origin

	Principal invested	Short term		Long term	
		Fixed rate	Variable rate	Fixed rate	Variable rate
		£'000	£'000	£'000	£'000
<u>UK Local Authorities</u>					
South Somerset District Council	1,000	1,000	0	0	0
Peterborough City Council	3,000	3,000	0	0	0
Highland Council	2,000	2,000	0	0	0
<u>UK Banks & Building Societies</u>					
Lloyds TSB Bank plc	5,000	5,000	0	0	0
Santander	1,000	1,000	0	0	0
<u>UK Money Market Funds</u>					
Aberdeen Standard MMF	5,000	0	5,000	0	0
BNP Paribas MMF	1,450	0	1,450	0	0
Federated MMF	5,000	0	5,000	0	0
Black Rock MMF	5,000	0	5,000	0	0
Morgan Stanley MMF	2,100	0	2,100	0	0
Total Investments	30,550	12,000	18,550	0	0

The Council allows credit for its trade debtors, such that £1,587,643 of the £2,484,257 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/19		31/03/20
£'000		£'000
301	Less than three months	218
192	Three to six months	300
90	Six months to one year	203
676	More than one year	866
1,259	Total	1,588

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: -

31/03/19		31/03/20
£'000		£'000
21,475	Less than one year	11,459
9,500	Between one and two years	2,710
5,897	Between two and five years	2,669
<u>79,957</u>	More than five years	<u>105,069</u>
<u>116,829</u>	Total	<u>121,906</u>

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:

2018/19		2019/20
£'000		£'000
(137)	Increase in interest receivable on variable rate investments	(155)
(137)	Impact on Income and Expenditure Account	(155)
<hr/>		
(65)	Share of overall impact credited to the HRA	(60)
(72)	Share of overall impact credited to the General Fund	(95)
(137)	Total	(155)

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 £0.77m 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 (£0.504m) and Investors in Lincoln (£0.268m). 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 2020

2018/19	Notes	2019/20	2019/20
£'000		£'000	£'000
(8,939)	5	(8,671)	
(6,583)		(7,250)	
(198)		(243)	
(4,799)		(797)	
0		(8)	
0		0	
(284)		(285)	
(20,803)			(17,254)
27,286	8	27,482	
603		632	
526		464	
28,415			28,578
7,612			11,324
(116)			(739)
7,496			10,585
406			766
(2,352)			(2,424)
68			77
(879)	9		(947)
82			3,844
4,821			11,901

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2018/19		2019/20
£'000		£'000
1,021	Balance on the HRA at the end of the previous year	1,025
4,821	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	11,901
(5,137)	Adjustments between accounting basis and funding basis under statute	(12,294)
(316)	Net increase or (decrease) before transfers to or from reserves	(393)
320	Transfers (to) or from reserves	364
<u>4</u>	Increase or (decrease) in year on the HRA	<u>(29)</u>
<u>1,025</u>	Balance on the HRA at the end of the current year	<u>996</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2020, totalled 7,761 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	895	560	539	2,037
2 Bed	5	117	81	103	306
3 Bed	0	0	12	1	13
Sub-Total	48	1,012	653	643	2,356
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	30	72	0	102
Sub-Total	0	85	210	0	296
Houses / Bungalows					
1 Bed	158	143	32	23	356
2 Bed	728	765	97	323	1,913
3 Bed	804	545	70	296	1,715
4 or more Beds	96	21	0	28	144
Sub-Total	1,786	1,473	199	670	4,128
Total Dwellings 31 March 2019	1,834	2,861	1,411	1,655	7,761

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 2020	611,890
Balance sheet valuation applying the Social Housing discount factor	256,994

The Balance Sheet value of HRA Assets is as follows:

2018/19 £'000		2019/20 £'000
248,962	Council Dwellings	256,994
5,774	Other Operational Assets	6,158
16,663	Non-Operational Assets	17,658
271,399	Total at 31 March	280,809

Note 3 – Depreciation and Impairment

The Depreciation and Impairment of HRA Assets is as follows:

Depreciation:			2019/20 £'000
2018/19 £'000	Operational Assets:		£'000
5,842	Council Dwellings		6,337
364	Other Operational Assets		261
6,206	Total at 31 March		6,598

Impairment:			2019/20 £'000
2018/19 £'000	Operational Assets:		£'000
3,665	Revaluation Gains/(Losses)		5,851
3,665	Total at 31 March		5,851

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.

2018/19 £'000		2019/20 £'000
(12,842)	Balance on 1 April	(5,676)
	Amount transferred from the HRA	
	- Depreciation	
(5,842)	Dwellings	(6,337)
(364)	Other Assets	(309)
0	- Other revenue contributions	(3,637)
(19,048)		(15,959)
13,372	- HRA Capital Expenditure	6,790
(5,676)		(9,169)

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.

2018/19 £'000		2019/20 £'000
(624)	Balance on 1 April	(579)
	Expenditure in year	
3,244	Tenant Notified Repairs	3,274
2,042	Void Repairs	1,539
1,588	Servicing Contracts	1,688
585	Painting Programme	561
11	Asbestos Removal/Surveys	4
414	Aids & adaptations	415
39	Decoration Grants	55
1,074	Other Expenditure	1,134
8,997		8,670
	Income in year	
(8,997)	Contribution from HRA	(8,671)
	Contribution to HRA	
58	Reduction in Repairs Reserve	0
(1)	Contribution from Leaseholders	(1)
(12)	Interest Received in year	(16)
(8,952)		(8,688)
(579)	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:

2018/19 £'000		2019/20 £'000
	Capital investment	
24,960	Property, Plant and Equipment – HRA	11,969
0	Property, Plant and equipment – GF used as council housing	0
0	Non-Current Assets held for sale	0
25	Intangible Assets	8
0	Revenue Expenditure funded from Capital under Statute	0
24,985		11,977
	Sources of funding	
(7,107)	Capital Receipts	(1,321)
(4,718)	Revenue Contributions	0
(13,160)	Major Repairs Reserve	(6,790)
0	Prudential Borrowing	(3,866)
(0)	Government grants and other contributions	(0)
(24,985)		(11,977)
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 2019/20 (£0.000m in 2018/19).

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 2019/20, there was £3.866m of 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:

2018/19 £'000		2019/20 £'000
(2,002)	Council dwellings	(2,946)
0	- Right to Buy	0
	- Discounts repaid	
	Other Receipts	
	- Land Sales reimbursements	
(70)	- Reimbursement of expenditure on General Fund property on sale	(62)
(2,072)	Land receipts	(3,008)
760	Less Pooled (Paid to Central Government)	729
(1,312)	Total	(2,279)

Note 8 - Rent Arrears

During the year 2019/20 total rent arrears increased by £0.080m or 4.34%, to £1.925m. A summary of rent arrears and prepayments is shown in the following table:

2018/19 £'000		2019/20 £'000
901	Current Tenant Arrears @ 31 March	956
944	Former Tenant Arrears @ 31 March	969
1,845	Total Rent Arrears	1,925
(312)	Prepayments @ 31 March	(430)
1,533	Net Rent Arrears	1,495

A bad debt provision of £285,312 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 2020 is £1.778m (£1.664m at 31 March 2019).

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:

2018/19		2019/20
£'000		£'000
	HRA Income & Expenditure Statement	
1,897	Current Service Cost	2,519
0	Past Service Costs	0
879	Net interest expense	947
2,776	Total	3,467
(1,510)	Amount to be met from HRA	(1,671)
1,266	Movement on Pension Reserve	1,796

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

2018/19 £'000 Total		2019/20 £'000 Council Tax	2019/20 £'000 NDR	2019/20 £'000 Total	Note
INCOME					
(41,617)	Council Tax Payers	(44,185)	0	(44,185)	2
(103)	Income from Ministry of Defence	(112)	0	(112)	
<u>(43,462)</u>	Income from Business Ratepayers	0	(44,375)	(44,375)	3
(85,182)		(44,297)	(44,375)	(88,672)	
EXPENDITURE					
Precepts:					
6,393	- City of Lincoln Council	6,679	0	6,679	
29,485	- Lincolnshire County Council	31,405	0	31,405	
5,206	- Police & Crime Comm. Lincolnshire	5,865	0	5,865	
Business Rates:					
35	- Payments to Government	0	21,028	21,028	3
26,032	- Payments to City of Lincoln Council	0	16,791	16,791	3
17,355	- Payments to Lincs County Council	0	4,198	4,198	3
145	- Cost of Collection	0	145	145	
Bad and Doubtful Debts					
202	- Provisions	171	(165)	6	
202	- Write Offs	210	546	756	
(2,165)	- Provision for appeals	0	210	210	
1,268	Transfer of Collection Fund Surplus	268	2,464	2,732	4
<u>84,158</u>		<u>44,598</u>	<u>45,217</u>	<u>89,815</u>	
(1,024)	Deficit / (Surplus) for the year	301	842	1,143	
COLLECTION FUND BALANCE					
(1,029)	Balance brought forward at 1 st April	(471)	(1,581)	(2,051)	
<u>(1,024)</u>	Deficit/(Surplus) for the year (as above)	301	842	1,143	
(2,053)	Balance carried forward at 31st March	(170)	(739)	(908)	
Allocated to:					
(1,090)	- City of Lincoln Council	(26)	(118)	(144)	
(1,071)	- Lincolnshire County Council	(121)	191	70	
(62)	- Police & Crime Comm. Lincolnshire	(22)	0	(22)	
170	- Government	0	(809)	(809)	
<u>(2,053)</u>		<u>(169)</u>	<u>(736)</u>	<u>(905)</u>	

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 2019/20, the City of Lincoln ended the 'pilot' scheme it was part of in 2018/19 which meant its retained share reverted back to that of previous years as follows:

	2018/19 'Pilot'	2019/20 'Pool'
City of Lincoln	60%	40%
Lincolnshire County Council	40%	10%
Central Government	0%	50%

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 2019/20 was 24,300 (23,943 in 2018/19). 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 2019/20 was approved at the Executive on 7th January 2019 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	0	58	31
A	6/9	27,573	22,479	14,986
B	7/9	8,878	7,610	5,920
C	8/9	4,899	4,359	3,875
D	9/9	2,530	2,277	2,277
E	11/9	1,282	963	1,177
F	13/9	402	360	521
G	15/9	135	132	220
H	18/9	45	7	14
Total		45,744	38,245	29,020
Deduction for Non-Collection				(363)
Crown Properties Adjustment				60
Adjusted to Band D Equivalent				28,717
Council Tax Relief Scheme				(4,418)
Tax Base for the Calculation of Council Tax				24,299

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 Taxpayers in 2019/20 was £44.185m (£41.616m in 2018/19).

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 2019/20, the City of Lincoln ended the 'pilot' scheme it was part of in 2018/19 which meant its retained share reverted back to that of previous years as follows:

	2018/19 'Pilot'	2019/20 'Pool'
City of Lincoln	60%	40%
Lincolnshire County Council	40%	10%
Central Government	0%	50%

The business rates shares payable for 2019/20 were estimated before the start of the financial year as **£20,989m** (£0.035m in 2018/19) to Central Government, **£4,198m** (£17.355m in 2018/19) to LCC and **£16,791m** (£26.032m in 2018/19) to the City of Lincoln Council. These sums have been paid in 2019/20 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 2019/20 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of **£12.884m** (£12.471m in 2018/19).

The total income from business rate payers collected in 2019/20 was **£44.375m** (£43.462m in 2018/19).

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 **£3.472m** (£4.071m in 2018/19). 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 2019/20.

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 2020. 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 withdrawn from the**

collection fund for 2019/20 has been calculated at £0.210m (£2.165m was added in 2018/19).

For 2019/20, the total non-domestic rateable value at the year-end is **£112.7m** (£112.1m in 2018/19). The national multipliers for 2019/20 were **49.1p** for qualifying Small Businesses, and the standard multiplier being **50.4p** for all other businesses (48.0p and 49.3p respectively in 2018/19).

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 2019 it was estimated that the Collection Fund would have a Council Tax surplus of **£0.268m** (£0.188m in January 2018) and a Business Rates surplus of **£2.464m** (£1.081m deficit in January 2018), a combined Collection Fund surplus of **£2.732m** (£1.269m deficit in January 2018) and so the following amounts were due to or from the preceptors in 2019/20:

2018/19		2019/20
£'000		£'000
(462)	City of Lincoln Council	(1,588)
(243)	Lincolnshire County Council	(1,279)
(24)	Police & Crime Comm. Lincolnshire	(34)
(540)	Central Government	169
<u>(1,269)</u>	Total	<u>(2,732)</u>

**INDEPENDENT AUDITORS' REPORT TO MEMBERS OF CITY OF LINCOLN
COUNCIL**

❖ 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).

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

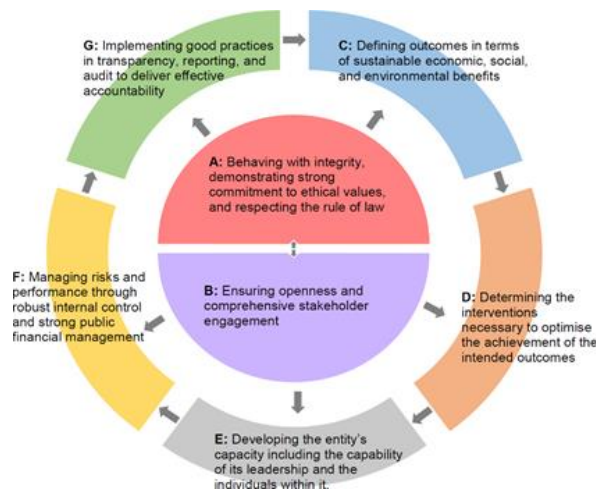
The council's Code of Corporate Governance, comprehensively reviewed in 2017, is updated annually. The last update took place in April 2019, with the 2020 review has been delayed due to the COVID-19 pandemic. A more comprehensive review will be undertaken in 2020/21 to take account of any potential longer-term changes arising from the impact of COVID-19.

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. It also includes a section on the impact on the council, and actions taken as a result, of the COVID-19 pandemic.

For a glossary of terms used – see Appendix B

1.2 The 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 <ul style="list-style-type: none"> ❖ Provide leadership; set, develop and implement policy ❖ Ensure the Vision 2020 and Vision 2025 strategies are taken forward ❖ Develop, adopt and implement the budget framework ❖ Support the city's diverse communities and neighbourhoods to thrive 	Leadership and decision making <ul style="list-style-type: none"> ❖ All decision meetings held in public (except those identified as 'part B') ❖ Decisions recorded on the council's public website ❖ Resources directed according to priorities as set out in Vision 2020 and Vision 2025 	Risk management <ul style="list-style-type: none"> ❖ Risk registers identify both operational and strategic risks ❖ Strategic risks are considered by CMT and Executive every quarter ❖ Internal audit provides independent objective assurance ❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit
Scrutiny and review <ul style="list-style-type: none"> ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct ❖ 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) <ul style="list-style-type: none"> ❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT) ❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community ❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government ❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct 	

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. The first of these sections covers how the council has maintained

good governance during the COVID-19 pandemic – some of the activities mentioned are also mentioned under the core principles.

1.5 Impact of COVID-19 and maintaining good governance

As with all councils the COVID-19 pandemic has caused major disruption to the day to day work of the council, including cancellation of committee meetings, and changing priorities to protect our most vulnerable residents and local businesses. This has meant there has been a need to initiate business continuity procedures as well as introducing new or varied governance arrangement in some areas. In addition it has been necessary to vary the process followed to produce the Annual Governance Statement for 2019/20 from that referred to in the Code of Corporate Governance.

Actions taken to address the impact of the COVID-19 pandemic:

- Co-ordinated response to the pandemic working with Lincolnshire Local Resilience Forum
- Review of governance arrangements following introduction of the Coronavirus Act 2020, including introduction of virtual council and other key meetings
- Prioritisation of resources to ensure ongoing provision of key services
- Development of a befriending and community help service to support the most vulnerable, including council tax support discounts
- Reallocation of teams to support COVID-19 response, e.g. Audit and Policy Teams
- Support for local businesses in applying for business ratepayers discounts and business grants payments
- Initial response to the pandemic in terms of delivery of critical services, protection of staff, support for community and vulnerable persons, impact on the local economy and financial impacts on the council
- Several HR interim procedures and checklists for managers were introduced to support employees working from home and support their health and wellbeing

Proposed activity for the coming year:

- Development of activities to support the city and high street, including leading on multi-agency partnership to support high street recovery.
- One Council – under the Organisational Development pillar we will be putting processes in place and revising policies as required in response to COVID-19, particularly around work styles and support for staff and members to ensure we have the governance in place to make sure these new ways of working and new activities are fit for purpose
- Implementation of ongoing support of community and vulnerable persons through working with partner organisations
- Re-establishment of committee meetings via electronic means to ensure democratic responsibility
- Development of policies and procedures to enable delivery of services, including critical services, whilst ensuring protection of staff and customers.

- Transfer of befriending service to voluntary sector organisations
- Ensure processes in place to enable businesses in the city to access support, e.g. Environmental Health Officer utilising legal powers to manage re-opening of businesses under COVID-19
- Management of the financial impacts of COVID-19
- Performance report for Q4 2019/20 to take the form of a review of 2019/20 including our COVID-19 response
- Combined Q1 and Q2 Performance report to help assess impact of COVID-19
- Review of Vision 2025 Year 1 Delivery Action Plan to focus on remobilising services, savings, legacy projects and further developing One Council
- Review of actions taken, and lessons learned from response to the COVID-19 pandemic
- Many of these actions are covered under the key principles below and further activities will be identified once the council emerges from the current recovery stage

1.6 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 2019/20:

- Member induction for those new Members elected in May 2019
- Anti-bribery Policy reviewed and approved
- Whistleblowing Policy and Guidance updated
- Member Code of Conduct updated and approved
- New website launched
- Safeguarding Policy approved
- Modern Slavery Charter and Statement reviewed
- Equality Objectives for 2020-24 developed and approved by Executive

Proposed activity for the coming year:

- Update Code of Corporate Governance

- Re-establish regular portfolio holder meetings following COVID-19
- Update member code of conduct in accordance with government guidelines
- The internal audit plan was approved by Corporate Management Team but due to COVID-19 a revised audit plan will be developed and presented to the Audit Committee in September 2020.
- Further activities to be identified once the council emerges from the current recovery stage

1.7 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

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

Activity within Principle B in 2019/20:

- Consultation conducted in January 2020 on Vision 2025 with residents and businesses
- Consultation with residents, elected members and staff on Equality Objectives
- Engagement with the voluntary sector on Equality Action Plan
- Equality Objectives for 2020-24 developed and approved
- Annual staff roadshows
- Daily briefings to staff during COVID-19 emergency

Proposed activity for the coming year:

- Review Consultation and Engagement Strategy
- Consultation with Befriending Service users prior to transfer to alternative providers
- Citizen Panel consultation regarding High Street recovery to inform action plan
- Undertake consultation in respect of repurposing of Vision 2025
- Further activities to be identified once the council emerges from the current recovery stage

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

Vision 2020 was 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, and the forerunner to the current strategic plan, Vision 2025. It highlighted four priorities for the city, acknowledging that the council could not deliver everything needed by itself and must work in partnership and collaboration to achieve the ambitious plans. These were:

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

These priorities were underpinned by the need to deliver 'Professional high performing services'.

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

Vision 2020 has now been replaced by Vision 2025, the council's vision for the next five years to 2025. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses. The priorities in Vision 2025 remain broadly similar, but with the addition of a priority to address the challenges of climate change:

- ▶ Let's drive inclusive economic growth
- ▶ Let's reduce all kinds of inequality
- ▶ Let's deliver quality housing
- ▶ Let's enhance our remarkable place
- ▶ Let's address the challenge of climate change

Activity within Principle C in 2019/20:

- Approval of the MTFS which is a financial representation of the council's Vision 2020 and the new Vision 2025
- Ongoing implementation on the place strategy for Park Ward/Sincil Bank, highlighted as an area for regeneration. Three key strands of work are underway.
- Ongoing development for embedding sustainability over the next 3 to 5 years
- Plans developed to improve Lincoln Crematorium
- Celebrating Vision 2020 published, detailing progress made against priorities within the council's strategic plan for 2017-20, Vision 2020.
- Vision 2025, the council's strategic plan for 2020-25 developed and adopted
- One Council programme established
- Participant in Business and Economy recovery cell for Greater Lincolnshire and Rutland with six-month economic recovery plan developed.

Proposed activity for the coming year:

- Repurpose Vision 2025 to support the recovery of the city and council economically and ensure community support
- Review the delivery plan for Vision 2025 to take account of the impact on the council of COVID-19.

- Working closely with Lincolnshire Resilience Forum partners to support recovery
- Lead on implementation of Business and Economy Recovery Cell short term forward plan for construction sector and place marketing.
- Develop 5 year recovery plan linked to Town Investment Plan for the City.
- Key partner in Infrastructure Recovery Cell covering Lincolnshire, which includes housing, to ensure infrastructure is in place enabling growth plans to be implemented
- Sign up to civic university agreement with BGU and Lincoln University

1.9 **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. Whilst service plans for 2020/21 have not been completed work is ongoing to ensure robust service management as we enter the recovery stage. 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 2019/20:

- Ongoing implementation of the Capital Programme Group to ensure financial responsibilities in all capital projects are conducted correctly
- The TFS programme Team has worked on a phase 7 programme to meet the increased MTFS savings target
- Development of One Council – Scopes defined for four pillars – Organisational Development, Value Processes, Use of Assets and Technology
- Pilot of Office 365
- Pilot of desktop refresh
- Technology introduced to adapt to COVID-19
- Review of workstyles to understand technology required
- Refreshed infrastructure platform

Proposed activity for the coming year:

- Conduct a PIR on implementation of the Lincoln Project Management Model
- Development of TFS programme incorporating impact of COVID-19 emergency
- Refresh of Vision 2025 and identification of actions to be brought forward in the delivery plan

- Complete roll out of Office 365
- Complete desktop refresh
- Look at investment in IT required to support new ways of working
- Establish micro-sites for key services, e.g. Christmas Market, Building Control, Visitor services.
- Identify top 10 interactions with customers and move to online forms where possible to take pressure off contact centre.
- Housing repairs online pilot – to enable booking of repairs online.
- Review of my-info.
- Further activities to be identified once the council emerges from the current recovery stage

1.10 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. We have a programme in place under the organisational development pillar of our One Council approach which 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 2019/20:

- More HR policies have been reviewed with training delivered to managers
- Policies put in place to cover home working during COVID-19 emergency
- Continued HR line management briefings
- Needs analysis to be completed on Leadership Development
- Staff consultation on the new staff charter
- Daily briefings from Chief Executive during COVID-19 emergency
- Ongoing implementation of the People Strategy
- Development of One Council pillars – Organisational Development and Create Value Processes, including piloting Office 365 and remote working and introduction of Microsoft Teams for all staff
- Commissioned consultants to undertake a review of space at City hall and Hamilton House to support new ways of working
- Visitor information centre successfully brought back in house

Proposed activity for the coming year:

- Adapt our policies and procedures to ensure we adopt new ways of working moving forward in the immediate and longer term
- Further review of space at City Hall and Hamilton House following COVID-19. This will also include community centres and other buildings
- Look at ways to increase and strengthen City hall as a public sector hub
- Further activities to be identified once the council emerges from the current recovery stage

1.11 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.

Activity within Principle F in 2019/20:

- A successful savings and income generation programme was developed and implemented to address reductions in central government funding in 2019/20.
- Increase the level of purchase order usage across the authority to ensure full control
- Development of One Council activities
- Development of the quarterly dashboard report for Executive members and senior officers summarising progress with key strategies, strategic plan projects, risk governance and performance
- Publication of Celebrating Vision 2020, reporting on our strategic plan for 2017-20
- The External auditor issued an unqualified opinion on the authority's 2018/19 final statement of accounts although further areas of development were identified. This included significant improvements in the close down of accounts from the previous financial year.

Proposed activity for the coming year:

- Continuing to develop the council's response to the emerging financial situation including, ensuring strong financial management to make sure that we manage public funds correctly, e.g. revised budget estimates, TFS programme, expenditure control budget review process, lobbying strategy.
- A key piece of work will be to review control systems to ensure they continue to be fit for purpose with the new ways of working
- Development of measures to report progress on Vision 2025

- Further activities to be identified once the council emerges from the current recovery stage

1.12 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 2019/20:

- Launch and content management of new website
- Introduction of PIMS, a new performance management system

Proposed activity for the coming year:

- Further development of the performance management system
- Review of Lincoln Performance Management Framework
- Due to COVID-19 a revised audit plan will be developed and presented to the Audit Committee in September 2020.
- Further activities to be identified once the council emerges from the current recovery stage

2 Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2018/19. The 2019/20 assessment has been delayed in order to consider any new requirements arising following the COVID-19 pandemic.

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 2019/20 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 Project Management. The recommendations in this audit were already being addressed as part of the Post Implementation Review of the Lincoln Project Management Model. This is not considered a significant issue but will be monitored by Corporate Management Team over 2020/21 as a post implementation review of project management arrangements is currently in progress.

There were three areas of combined assurance assessed as red, but the risks have been managed and they are no longer considered significant.

As at March 2020 there were a number of high priority audit recommendations both made and outstanding. Outstanding agreed actions were in respect of the following: ICT Mobile Devices, Tenancy Services, HMO licensing, IT applications and Malware/anti-virus user training. Progress towards addressing these recommendations will be monitored through existing monitoring arrangements and none are considered as significant governance issues.

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 2018/19

The council has regularly monitored its 2018/19 significant governance issue through senior management and the Audit Committee during 2019/20. One issue was identified for monitoring:

- **The Disaster Recovery plan in place for IT arrangements:** during 2019/20 significant progress was made towards alignment with the Business Continuity plans that are in place for restoring key services in terms of IT needs. Overall, all but one action has been completed.

5 Significant governance issues identified from 2019/20

Significant issues carried forward from 2018/19 – As noted above there was one significant governance issue monitored during 2019/20 which still remains as an issue for monitoring during 2020/21:

- **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 already an action plan in place for addressing this significant issue and all but one of the 35 actions have now been completed. The outstanding action relates to the full implementation of the secondary data site which is in progress. Progress on this action will be reported regularly to Audit Committee.

New significant issues identified from 2019/20 – In terms of new significant governance issues the following two additional issues have been identified:

- **Review of impact of Coronavirus on the council's service delivery and embedding new ways of working for staff.** COVID-19 has had a significant impact on the council's budget resulting in the need to undertake a comprehensive review of how and what services are delivered ensuring our statutory requirements are met. The council was already undertaking a pilot to enable more agile working and with the lockdown the council fast tracked this approach and the council now needs to review the effectiveness of working conditions for staff and members and look to the future. The issue is that we will need to ensure that as the council develops its different approaches to service delivery and new ways of working it ensures governance is at its heart, recognising that governance arrangements may need to adapt and change in order that they remain fit for purpose in the new world.
- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19.** The strategy was adopted but there was no formal public launch due to COVID-19. The council's response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there

is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely. This process started in late August 2020.

Several lesser concerns were raised during the process of developing this statement and these will be passed to the Corporate Management Team for quarterly monitoring alongside performance and reported to Leadership.

6 Conclusion

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

Signed



Leader (Cllr Ric Metcalfe) **Date:** 17th August 2020



Chief Executive (Mrs Angela Andrews) **Date:** 17th August 2020

GLOSSARY OF TERMS USED IN THE GOVERNANCE STATEMENT

AGS	Annual Governance Statement
CFO	Chief Finance Officer
CMT	Corporate Management Team
CX	Chief Executive
HMO	Houses in Multiple Occupation
HR	Human Resources
ICT	Information and Communications Technology
LPMM	Lincoln Project Management Model
MTFS	Medium Term Financial Strategy
PIMS	Performance Information Management System
PIR	Post Implementation Review
TFS	Towards Financial Sustainability
Vision 2020	The council's strategic plan 2017-20
Vision 2025	The council's strategic plan 2020-25

GLOSSARY

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.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

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.

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.

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.

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

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 (PWL B)

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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SUMMARY ACCOUNTS 2019 - 20

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	6,859
Housing & Regeneration	1,074
Local authority housing (HRA)	(11,324)
Communities & Environment	8,583
Major Developments	133
Corporate	2,647
Net Cost of Services	7,970
Other Operating Expenditure	5,484
Taxation and Non-Specific Grant Income	(19,643)
Surplus on Provision of Services	(6,188)
FINANCED BY:	£'000
Central Government Grant	Nil
Council Tax	6,675
NNDR Business Rates	6,062
Non-ring fenced Government Grants	488
Capital Grants and Contributions	6,418
Surplus on Provision of Services	(6,188)
Statutory Adjustments	5,801
General Fund balance brought forward	(1,849)
General Fund Balance carried forward	(2,236)

The Council's total gross spend on services for the year was approximately £80.216M. Council Tax equated to 9.2% of all income received by the Council. The City Council received £6.67 million of Council Tax in 2019/20.

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 2020

Assets and Liabilities	£'000
Fixed Assets (Land & Buildings)	417,241
Stock (stores of materials)	138
Debtors (people who owe money to the Council)	12,456
Investments (value of money invested)	31,381
Cash at bank	(326)
Current Liabilities (council debts payable within 1 year)	(26,725)
Long-Term Liabilities (Debts payable after 1 year)	(194,842)
Assets held for sale	1,500
Total Net Assets	240,823
Financed By:	£'000
General Balances	2,236
Earmarked Reserves	32,074
Accounting Reserves	206,513
Total Reserves and Balances	240,823

At the end of the year the council had £0.772m worth of long-term investments and £30.6m of short term investments. At the end of the year the council had £11.5m of short term borrowing and £110.4m 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 2019	(612)
Net Cash flow from operating activities	12,505
Net Cash flow from investing activities	(13,716)
Net cash flow from financing activities	1,497
Cash at 31 March 2020	(326)

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 7,761 homes, consisting of the following types:

Low-Rise Flats	2,356
Medium Rise Flats	981
High Rise Flats	296
Houses/Bungalows	4,128
Total Council Dwellings	7,761

During the year 57 properties were sold under the Right to Buy scheme.

This table provides a summary of the Housing Revenue Account for 2019/20:

Income	£'000
Council house rents (gross)	(28,114)
Other Income	(464)
Expenditure	£'000
Repairs and maintenance	8,671
Supervision and management	7,250
Capital financing costs	797
Change in Social Housing Discount Factor	0
Corporate costs	(41)
(Surplus)/Deficit for year	(11,901)
Statutory Adjustments	11,930
HRA Balance bought forward	(1,025)
HRA balance carried forward	(996)

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 2019/20 the Council's capital expenditure totalled £38.95 million.

Here is a breakdown of the capital expenditure for 2019/20:

	£'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

AUDIT COMMITTEE

17 NOVEMBER 2020

SUBJECT:	AUDIT COMMITTEE WORK PROGRAMME
REPORT BY:	AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT AUDIT MANAGER

1. Purpose of Report

1.1 To provide details of the Audit Committee work programme for 2020/21

2. Executive Summary.

2.1 The Audit Committee approves a work programme each year and monitors progress.

3. Main report

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and revised taking account of impacts relating to the pandemic. It is considered appropriate for 2020/21.

4. Organisational Impacts

4.1 Finance
There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules
There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights
There are no direct E and D implications arising as a result of this report.

5. Recommendation

5.1 The Audit Committee should comment on and agree the work programme for 2020/21.

Key Decision No

Do the Exempt Information Categories Apply? No

Call in and Urgency: Is the decision one to which Rule No

15 of the Scrutiny
Procedure Rules apply?

**How many appendices
does the report contain?**

One

**List of Background
Papers:**

None

Lead Officer:

John Scott, Audit Manager Telephone 873321

AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2020/21

Meeting dates	Audit Items – Revised Agenda	Training (Suggested)
13 th June 20	Meeting cancelled	
23 rd July 20	<ul style="list-style-type: none"> • Annual Internal Audit Report • Internal Audit Progress report (19/20) • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Audit Committee effectiveness (Dec 2020)
27 th Aug 20	<ul style="list-style-type: none"> • Statement of Accounts (Draft) • Annual Governance Statement (Draft) • External Audit Progress report • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Local Government Financial Statements explained • Annual Governance Statement/Corporate Governance (Part of Meeting)
24 th Sept 20	<ul style="list-style-type: none"> • Internal Audit progress report • Annual Complaints report • Audit recommendations report • Information Governance Update • Whistleblowing policy • 12 Month fraud and error report • Audit Committee Work Programme • Internal Audit Plan 20-21 	

<p>17th Nov 20</p>	<ul style="list-style-type: none"> • Statement of Accounts (including Annual Governance Statement) (Final) • Annual Governance Report (Isa 260)/ Auditors Report (External Audit) • Going Concern report • Audit Committee Work Programme 	
<p>15th Dec 20</p>	<ul style="list-style-type: none"> • Audit recommendations report • Internal Audit progress report • Six Month Fraud and Error report • Annual Governance Statement - monitoring • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Counter Fraud (e-learning)
<p>2nd Feb 21</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Treasury management policy and strategy (consultation prior to approval by Council) • Audit Committee Work Programme • Information Governance update • Counter fraud policies • Fraud risk register • Terms of Reference review - Internal Audit (Audit Charter) • Terms of Reference review – Audit Committee • Audit / Audit Committee effectiveness 	<ul style="list-style-type: none"> • Treasury Management
<p>23rd Mar 21</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Audit recommendations report • Combined Assurance report • Annual Governance Statement –update report • Internal Audit Strategy and Plan 20-21 • Risk Management Strategy / annual report • Statement on Accounting Policies 	<ul style="list-style-type: none"> • Audit Committee effectiveness

	<ul style="list-style-type: none"> • External Audit Inquiries – 20/21 Statement of Accounts (those charged with governance) • IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations • External Audit plan • Audit Committee Work Programme • Financial Management Code / Financial Resilience 	
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A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.

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