

## AUDIT COMMITTEE

**Tuesday, 15 November 2022**
**6.00 pm**
**Committee Rooms 1-2, City Hall**

Membership:	Councillors Rebecca Longbottom (Chair), Jackie Kirk (Vice-Chair), David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood
Substitute member(s):	Councillors Pat Vaughan
Independent Member:	Jane Nellist
Officers attending:	Angela Andrews, Sally Brooks, Jo Crookes, Democratic Services, Jaclyn Gibson, Graham Rose Colleen Warren and Amanda Stanislawski.

## A G E N D A

<b>SECTION A</b>	<b>Page(s)</b>
1. Confirmation of Minutes - 19 July 2022	<b>3 - 12</b>
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3. Annual Complaints Report	<b>To Follow</b>
4. Annual Governance Statement Monitoring	<b>13 - 20</b>
5. Internal Audit Plan 2022/23 Review	<b>21 - 46</b>
6. Internal Audit Progress Report	<b>47 - 68</b>
7. Whistleblowing Policy and Guidance	<b>69 - 82</b>
8. External Audit - Audit Completion Report (21/22)	<b>To Follow</b>
9. External Audit Progress Report	<b>To Follow</b>
10. Assessment of Going Concern Status	<b>83 - 90</b>
11. Statement of Accounts 2021/22	<b>91 - 252</b>

12. Request for Audit Committee Approval of Mazars' 2021/22 Non-Audit Services	<b>To Follow</b>
13. Review of The Constitution - Financial Procedure Rules	<b>253 - 316</b>
14. Audit Committee Work Programme 2022/23	<b>317 - 328</b>
15. Information Governance Update	<b>329 - 336</b>
16. Exclusion of Press and Pubic	<b>337 - 338</b>

You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following item(s) because it is likely that if members of the press or public were present, there would be disclosure of 'exempt information'

## **SECTION B**

17. Information Governance Update - Appendix A	<b>339 - 348</b>
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**[Exempt Para(s) 1, 2, 3]**

**Present:** Councillor Rebecca Longbottom (*in the Chair*)

**Councillors:** Jackie Kirk, David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood

**Independent Member:** Jane Nellist

**Apologies for Absence:** None.

**12. Confirmation of Minutes - 14 June 2022**

RESOLVED that the minutes of the meeting held on 14 June 2022 be confirmed and signed by the Chair as an accurate record.

**13. Declarations of Interest**

No declarations of interest were received.

**14. Matters Arising**

Minute Number 3 – Matters Arising

Jaclyn Gibson, Chief Finance Officer advised that the Cyber-attack insurance had not yet been implemented. This was due to the requirements of securing the insurance and an assessment may be needed to consider the investment compared to the level of insurance received.

Minute Number 4 – Annual Internal Audit Report

Jaclyn Gibson, Chief Finance Officer advised that as of 18 August 2022, the total percentage of residents who paid Council Tax by direct debit for property bands A-D was 54.4%. The total percentage increased to 65% with the inclusion of property bands E-H.

Officers confirmed that residents who did not pay Council Tax by direct debit would remain eligible for the Council Tax rebate.

**15. Internal Audit Recommendations Follow Up**

Amanda Stanislawski, Audit Manager:

- a) presented an update to Audit Committee on outstanding agreed actions and revised Recommendations/Agreed Action Follow-up Protocol
- b) referred to Appendix A attached to the report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position
- c) invited members' questions and comments.

Members discussed the content of the report in further detail.

Thanks was given to officers by Jane Nellist who commented that it was positive to see an improvement in the process with more actions and recommendations agreed within deadlines.

**Question:** Would risk register information contained within the Western Growth Corridor (Governance) recommendation at page 19 of the report be made available to members?

**Response:** It was not within the Committee's terms of reference to bring the information to Audit Committee.

Positive acknowledgement of the recommendation/agreed action follow up protocol layout was noted. In addition, members commented that the reasons for extension and procedures in place were exceptional.

The Chair gave thanks for a well written and thorough report and suggested the inclusion of an annual revision date. It was added that under section 2.2 of the recommendation/agreed action follow up protocol, some audit committees did not leave it as long as twelve months to receive verbal updates from service managers.

It was noted that under section 1.5 of the protocol, a report for directors of all outstanding actions would be added to the next DMT meeting agenda on at least a 6 monthly basis.

Comments were received regarding the wording of section 3.1 of the protocol. Members shared concerns that interpretation of the wording suggested an extension would be an automatic process. Officers confirmed that a review of the wording would take place.

**Question:** If the Committee agreed to an annual revision date, could this be brought forward if necessary?

**Response:** Officers were happy with an annual revision date and confirmed that if anything changed, revision could occur sooner.

Members recognised that regular work ensured recommendations and implementations occurred and were evidenced. Officers confirmed that a verbal update could be expected from the relevant service manager at 12 months if recommendation and implementations were still outstanding. In addition, the report would come before the Committee at every other meeting automatically.

**Question:** If Members agreed the changes, how will knowledge of implementation be made known?

**Response:** Internal Audit would check implementation.

**Question:** How have previous changes been checked?

**Response:** Historically, this occurred through the use of a monitoring sheet.

RESOLVED that the revised Recommendation/Agreed Action Follow-Up Protocol be agreed subject to an annual review of twelve months and revision to the wording at section 3.1.



## 16. Annual Governance Statement 2021/22

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform Audit committee that the Annual Governance Statement (AGS) had been completed and signed off by Leadership
- b. highlighted that officers had concluded that one of the two significant governance issues from 2021/22 needed to remain in the 2022/23 AGS;
  - The Disaster Recovery plan in place for IT arrangements.
- c. explained that one of the significant issues was now deemed as mitigated to the extent that it was no longer a significant issue and had already moved to green status:
  - Vision 2025 needed to be re-profiled and communicated to a wider audience in light of COVID-19 effects.
- d. recommended that Audit Committee reviewed the contents of the Final Annual Governance Statement with a view to monitoring progress on the significant issue identified over the coming year.
- e. invited members questions and comments.

Members discussed the contents of the report in further detail.

Thanks was given to Officers for detailed information at section 3.6 to the report.

**Question:** Reference was made to the LPMM process at section 3.6 to the report. What is the process based on?

**Response:** The LPMM (Lincoln Project Management Model) process was based on the principles of PRINCE and adapted for use by Local Government. Adaptations in recent years made it less cumbersome and more user friendly.

Members raised concerns regarding the need for adaption of PRINCE as a national recognition and standardised methodology. In addition, queries were raised regarding the impact of Covid-19 as issues were present prior to the pandemic for approximately five years. Officers confirmed that issues arose from central resource capacity. Projects were managed at various different directorates and as such, project management occurred at different levels, not through a central team.

It was added that there would be proposals for the project register to cease being used and theme groups under Vision 2025 were suspended due to Covid-19. Officers confirmed that issues experienced in the previous five years were not caused by the same reason every year. Officers concluded comments by adding that it was not a wide scale issue and did not cause a governance issue.

Comments were made regarding a lack of central resource capacity when carrying out projects such as the energy rebate with concerns shared of limited capacity.

**Question:** If a further grant scheme were to be approved later in the year and staff were removed from substantive posts to implement schemes, is capacity sustainable in the long term?

**Response:** New burdens funding of £59,000 had been received from the Government to assist with the implementation of the Council Tax rebate scheme. A percentage of the funds would support IT and postage with the remaining funds allocated to staffing costs. In the absence of agency staff, implementation would be carried out by existing staff working overtime. It was noted that resources were strained.

**Question:** Would the lack of resource cause existing staff to burnout in the medium to long term?

**Response:** It was not mandatory for staff to participate in overtime. The potential would be for reconsideration of work in relevant service areas to ensure prioritisation.

**Question:** Very little governance was suggested as part of the process at section 3.6, paragraph b of the report. Should it be considered a more significant issue and should it come back on the register?

**Response:** Professional consideration was given to governance by the Chief Executive, Monitoring Officer, Chief Finance Officer and Leader of the Council and it was not considered a significant issue in this case. It was confirmed the issue would be raised at the next meeting of the Executive.

It was stated that further to page 31 of the Annual Governance Statement 2021-22 (AGS) at appendix A to the report, strength may be needed due to the current health impacts experienced by the United Lincoln Hospitals Trust (ULHT)

**Question:** Approximately 46% of residents did not use direct debit payment for Council Tax. Further to proposed activities under core principle D of the AGS, what consideration had been given to those without the capacity for online use?

**Response:** As part of One Council, we try to encourage direct debit payments by default. However, there is a recognition that some individuals choose not to or aren't able to access the internet and online services. It was added that a telephone number remains operable and would be a suitable alternative to access services.

Members commented that the wording of the AGS suggested a pressure to go online. Officers confirmed that it was suggestive of forms not currently online at present that could be.

**Question:** Further to section 1.5 of the AGS, has health and safety been carried out to support employees in working from home to support their health and wellbeing?

**Response:** DSE has been undertaken on home working activities.

The Chair added that previously, numbered bullet points made the report easier to follow. Members agreed and requested spaces between paragraphs and bullet points.

RESOLVED that the contents of the Final Annual Governance Statement 2021/22 with a view to monitoring progress on the significant issue identified over the coming year be agreed.

**17. Statement of Accounts 2021/22**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the draft Statement of Accounts for the financial year which ended 31 March 2022, together with a short summary of the key issues reflected in the statutory financial statements for scrutiny
- b. highlighted the summary of key issues within the below areas in the Financial Statements:
  - The Comprehensive Income and Expenditure Statement
  - The Balance Sheet
  - Cross Cutting Key Issues
- c. recommended that Audit Committee scrutinise the draft Statement of Accounts
- d. invited members questions and comments.

Members discussed the contents of the report in further detail.

**NOTE:** - Officers wished it to be noted there was a typing error at section 4.2.2 to the report. The correct figure should read 2.668.

Members commented that historical documents would be checked by external auditors. Council figures would be imputed to a standardised document.

**Question:** It is stated at section 4.3.6 to the report, that rates are no longer compared to the LIBID rates which ceased in December 2021. Are rates being compared using SONIA?

**Response:** Work was ongoing with Reassure Management providers to assess if SONIA will be used as a benchmark measure for investments.

Comments were received that if we saw the same change next year, liquidity issues could arise if the ratio changed from 1.5 to 1.3. Officers confirmed that exceptional fluctuations had been experienced over the previous two years. This was a result of grant monies received from the Government whereby funds were received in one financial year but not used until the next financial year. Therefore, it appears as a liability as it remains.

**Question:** What would be the cost of transferring a number of investments to save money instead of using a bank overdraft?

**Response:** A fluctuation of £7m would ordinarily not be expected. Interests have not been high recently with an amount of variations. The balance sheet showed issues which made comparisons difficult.

**Comment:** The report states a lone stock loss of 3% and no requirement for a qualified accountant on the Audit Committee.

**Response:** Lone stock made the Council a Public Interest entity which would necessitate a higher level of external audit. This would facilitate an annual expenditure of approximately £5000 in audit fees. The cost was considered in comparison to the return and the decision was taken to dispose of the stock. The loss of a qualified accountant on the Audit committee would show in next years finances.

Members noted a spelling error on page 58 of the Statement of Accounts 2021/22 under Performance. The correct spelling of the second bullet point should read 'extra care facility'. Officers noted the comment and advised that it would be changed as part of the audit.

Members noted at page 150 of the Statement of Accounts 2021/22 under Note 38 – Related Parties, the date printed was incorrect. The report incorrectly listed the members appointed for 2022/23, instead of 2021/22. Officers noted the comment and agreed.

**Question:** Is it a statutory requirement to disclose remuneration to senior employees and does that increase with the rate of inflation?

**Response:** Disclosure is a statutory requirement and there are limits in place for increases for a number of years.

**Question:** Under Note 4 at page 104, there was a decrease of 16% in the Council's share (40%) of the balance of business rates appeals amounting to £0.381m. What is the grand total, after considering the Covid grant, to make up the shortfall?

**Response:** As time approaches for the next revaluation, the number of outstanding appeals reduces. When provisions are set aside for appeals, an external company is instructed to provide an assessment to determine threats and those that have been settled are removed. Therefore, there would be a slow decrease until the next revaluation whereby it would increase. The revaluation is carried out every three years.

**Question:** Does the Council still receive £1m bonus for business rates relief?

**Response:** The previous Secretary of State announced there would be a Consultation over the summer, announced at the AGL conference before his resignation but we do not know whether the bonus for business rates relief would continue. The assumption is that we will lose the resource but nothing has been confirmed. Therefore, financial planning becomes difficult.

RESOLVED that the draft Statement of Accounts be received and comments made by the Committee be noted.

## **18. Audit Committee Work Programme 2022/23**

Amanda Stanislawski, Audit Manager

- a. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme

- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d. invited members' questions and comments:

Thanks was given to Amanda Stanislawski for the advance publication of the work programme for 2022/23. It was noted that the item would come before every committee meeting and there had been a small number of changes since last presentation.

Members requested the formatting of alphabetised bullet points to include spaces in future publications. Officers noted comments.

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

- e. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- f. referred to paragraph 3 of the report which highlighted the changes to the work programme
- g. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- h. invited members' questions and comments:

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

## **19. Risk Management Annual Update**

Jaclyn Gibson, Chief Finance Officer:

- a. reported on the risk management framework adopted by the council and risk management activity during 2021/22
- b. advised that the Council's Risk Management Strategy was presented for members information, had recently been reviewed based on a risk appetite methodology approach to the management of the Council's risks, to reflect the environment in which it operated
- c. explained that due to Covid-19 pandemic there was a need to prioritise resources and some actions had due in 2021/22 were postponed until 2022/23, these were:
  - A review of the Risk Management Strategy and Framework
  - Communication and training on the Risk Management Framework
  - Benchmarking activity with other Lincolnshire Districts
- d. advised that a key element of the Council's management of its risks involved the development and monitoring of the key strategic risks which could affect the Council's ability to achieve its priorities during the year; the Council's

Strategic Risk Register currently identified twelve strategic risks as detailed within the report and associated appendices

- e. outlined the framework of the risk management strategy in further detail, covering the following main topic areas:
  - Risk Management Strategy
  - Formulation of the Strategic Risk Register (Appendix A)
  - Formulation of the Directorate (Operational) Risk Registers
  - Training
  - Risk Management Benchmarking
  - Greater Lincolnshire Risk Management Group
  - Internal Audit
- f. reported that an Internal Audit of the Council's risk management arrangements undertaken during 2021/22 had concluded that the overall level of assurance opinion was substantial.
- g. requested members' consideration on the content of the report.

Members discussed the contents of the report in further detail.

**Question:** In future Committee meetings, would it be possible to formally note a report and proceed with business in full under part B, exempt information?

**Response:** The format of meetings would depend on the minutes of the meeting and whether questions fall under the domain of public information.

The Chair confirmed that agenda items 7 and 10 would be considered in collaboration with a distinction made between questions that fall within the public domain of information and information exempt under part B.

Members noted on page 215 under 'cyber attacks', a correction to 'Vision 2025' from 'Vision 2020' was needed. There were outstanding issues with IT at Hamilton House. Officers confirmed that the previous risk management strategy was to be reviewed and as such, changes would be made when reviewed.

Members noted that risk review was overdue by one year. Officers confirmed that due to Covid-19 and resource capacity, it had not yet been carried out. As a Council, we worked collaboratively with Lincolnshire County Council and neither have had capacity. Work is due to commence over the coming months.

RESOLVED that the risk management framework adopted by the Council and the risk management activity undertaken during the year 2021/22 be noted.

## **20. Internal Audit Progress Report**

Amanda Stanislawski, 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 April 2022 to June 2022, 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
  - Current areas of interest relevant to the Audit Committee
- d. invited questions and comments

Members discussed the contents of the report in further detail.

**Question:** With consideration given to already being behind, is the plan achievable?

**Response:** We will not have the staff in place by September and therefore, the plan will not be achievable in the current form. A revised plan will come before the Committee.

Members noted the issues and difficulties in recruitment and appointing new staff. In addition, the issue of national shortage was considered.

**Question:** Can third party organisation take on extra resource if needed?

**Response:** Yes and there agencies that can be used. In addition, capacity at Lincoln County Council can be considered for use.

**Question:** Two areas of improvement were identified under substantial assurance, income fees and charges at page 235 of the Internal Audit Progress Report. Would the areas of improvement cause a significant increase in workload?

**Response:** A significant increase in workload was not anticipated.

Members commented on the retention of green stickers, held securely by the printer. Officers confirmed that the Council retain a number. Comments received on the need for officers to verify stock before destruction at the end of the year as the design changed yearly. It was concluded that comments should be referred to Steve Bird, Assistant Director of Communities and Street Scene as a subject within his remit.

RESOLVED that the report be accepted and the monitoring arrangements be continued

**21. Exclusion of Press and Public**

**22. Risk Management Annual Update - Appendix B**

Only Appendix B Strategic Risk Register was contained here as exempt information.

**23. Internal Audit Progress Report - Appendix D**

Only Appendix D Internal Audit Progress Report was contained here as exempt information.

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**AUDIT COMMITTEE**

**15 NOVEMBER 2022**

**SUBJECT: ANNUAL GOVERNANCE STATEMENT MONITORING**

**REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK**

**LEAD OFFICER: GRAHAM ROSE, SENIOR STRATEGIC POLICY OFFICER**

**1. Purpose of Report**

- 1.1 To present to Audit Committee a progress update on the one area identified as a 'significant governance issue' as set out in the 2021/22 Annual Governance Statement (AGS).

**2. Executive Summary**

- 2.1 This report and supporting appendix provides an update on the progress made with the one significant internal control issue identified in the 2021/22 Annual Governance Statement presented to CMT and Audit Committee in June 2022. This particular issue was monitored throughout 2021/22 and carried forward for monitoring during 2022/23. There were no new issues identified within the 2021/22 Annual Governance Statement.

**3. Background**

- 3.1 On an annual basis the Annual Governance Statement reviews how City of Lincoln Council complied with our Code of Corporate Governance during the previous year, and specifically focuses on identifying any significant governance issues for monitoring over the year ahead.
- 3.2 Update reports on the progress made with reducing the risks of those issues identified are provided to CMT and Audit Committee on a quarterly basis.

**4. Summary of findings**

**4.1 Monitoring of 2021/22 AGS issues**

There was one significant governance issue monitored during 2021/22, which remained an issue for monitoring during 2022/23.

**4.2 AGS issue identified for monitoring in 2022/23 -**

**Disaster Recovery Plan in place for IT arrangements and alignment with current Business Continuity plans:**

*A new IT Disaster Recovery plan needs to be in place, which will consider not just the 'where' the council has recovery plans based, but also what the future expectations from our IT resources will be; how our staff will work, how our services will work, what resources are available and what implications does this have on our*

*ability to ensure the Disaster Recovery plans for IT can match the Business Continuity plans for key services.*

This issue falls into two separate actions – the first relating to the completion of the updated IT Disaster Recovery Plan, and the second being the review of the Business Continuity plans in light of the new recovery plan.

An update on the progress with this one significant issue identified within the 2021/22 AGS is provided within Appendix A, which also details the progress made on this issue throughout 2021 and 2022.

## **5. Strategic Priorities**

- 5.1 This report does not focus specifically on any of the five Vision 2025 priorities but does contribute significantly towards One Council, which underpins these aspirations.

## **6. Organisational Impacts**

### **6.1 Finance (including whole life costs where applicable)**

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

### **6.2 Legal Implications including Procurement Rules**

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

### **6.3 Equality, Diversity & Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees. It requires that public bodies have due regard to the need to:

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

There are no direct Equality and Diversity implications arising as a result of this report.

## **7. Risk Implications**

- 7.1 (i) Options Explored - n/a
- 7.2 (ii) Key risks associated with the preferred approach - n/a

## **8. Recommendation**

- 8.1 Audit Committee is asked to note the progress made on the one issue identified within the AGS 2021/22.

**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?** One

**List of Background Papers:** None

**Lead Officer:** Graham Rose, Senior Strategic Policy Officer  
Telephone (01522) 873658  
Email address: graham.rose@lincoln.gov.uk

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## Summary of progress with AGS risk actions: October 2022

### Significant current issue from 2021/22 to focus on in 2022/23

The significant AGS issue below was identified in the 2021/22 AGS review. This particular issue was monitored during 2021/22, and remains an issue for monitoring during 2022/23, although the issue has been updated to reflect the current environment:

- **Disaster Recovery plan in place for IT arrangements and alignment with current Business Continuity plans:** *A new IT Disaster Recovery plan needs to be in place, which will consider not just the 'where' the council has recovery plans based, but also what the future expectations from our IT resources will be; how our staff will work, how our services will work, what resources are available and what implications does this have on our ability to ensure the Disaster Recovery plans for IT can match the Business Continuity plans for key services.*

There were no new significant issues identified from the 2021/22 AGS review.

Progress update				
AGS issue identified	Update by	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<b>Disaster Recovery plan in place for IT arrangements and alignment with current Business Continuity plans</b>	Matt Smith – BDIT Manager (IT)	IT actions agreed 1. Finish the final aspects of the Hamilton House recovery centre – by August 2021 a. all servers to be fully functional	IT actions delivered in 2021: 1. All servers are now replicated to Hamilton House secondary data centre <ul style="list-style-type: none"> <li>• Disaster Recovery is now operational at Hamilton House</li> <li>• Specific Cyber-attack insurance is being procured</li> <li>• Many systems are now hosted off site in the cloud especially email and Microsoft suite of documents – this ensures customers can now contact us in the event of our legacy systems hosted on site failing. Our IT strategy is to move further to cloud hosting - reducing the Disaster Recovery implications on site</li> </ul>	<b>A</b>

		<p>2. Refresh the ITDR plan – September 2022</p> <ol style="list-style-type: none"> <li>Review priority of services to be brought back on-line</li> <li>Consider ongoing agile working requirements</li> <li>Focus on the legacy services still held at City Hall. Does the full service need to be up and running at speed, or just elements of it?</li> <li>Decisions on how we could simplify the invocation process</li> <li>Documentation completed and action plan in place</li> </ol>	<ul style="list-style-type: none"> <li>The only outstanding action is to review individual business continuity plans for services, to ensure the scope and scale of recovery matches the capacity of the Disaster Recovery Plan (see below).</li> </ul> <p>2. Initial consideration has been made into next stages, and the review of the Disaster Recovery plan. This may involve some investment, and options will be developed in conjunction with existing suppliers</p> <p><u>February 2022</u> - ICT is continuing to develop the Disaster Recovery response including ongoing work on:</p> <ul style="list-style-type: none"> <li>Citrix portal accessible from Disaster Recovery site</li> <li>Replacement / upgrade of firewalls to provide additional resilience</li> </ul> <p>Next stages will be looking at VPN resilience, increasing internet connectivity at secondary site and making files more accessible to users.</p> <p><u>Update October 2022</u> –</p> <p>Due to the constant changing nature of the IT service, the Corporate Management Team has agreed for the IT Disaster Recovery Plan to be updated on an annual basis as at 1<sup>st</sup> April each year moving forward, rather one single version of the plan being completed for this action. This will ensure the plan captures the latest IT changes and developments likely to impact on the service over each coming year. An initial</p>	
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			<p>version of the plan is currently being developed with the aim of this being completed by December 2022. Recent progress towards the development and implementation of an effective IT Disaster Recovery Plan is outlined below.</p> <p>Cyber Insurance – more investigation is required and further work will need to be undertaken before the insurance can be procured. The insurance market in this field is very new and this means it is challenging to meet all requirements at this time.</p> <p>Access to services – further work has been undertaken meaning the Citrix portal can now be accessed from a secondary site.</p> <p>Firewalls - Firewalls have been upgraded at both data centres.</p> <p>New applications - Further progress is being made with the procurement of new applications to allow for more efficient and effective working and service delivery.</p> <p>Data backup - Further options for the backup of data and security are also in early stages of consideration / planning.</p> <p>An additional piece of work is also underway to mitigate invocation times should this be necessary.</p>	
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	Jaclyn Gibson – CFO (BC)	<p>Business Continuity actions agreed:</p> <ol style="list-style-type: none"> <li>1. Review all BC plans in light of the published ITDR plan</li> </ol>	<p>A review of overall ICT strategy is being considered to ascertain next steps for development of infrastructure.</p> <p><b><u>Update October 2022</u></b></p> <p>Business Continuity Actions:</p> <p>Work continues on the annual refresh of business continuity plans for those services that have been assessed as ‘critical’ services.</p> <p>This will be further supplemented when the new ITDR plan is in place, to ensure they align, and will form the basis of the updating of plans in 2023/24.</p>	
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**AUDIT COMMITTEE**

**15 NOVEMBER 2022**

**SUBJECT: INTERNAL AUDIT PLAN 2022/23 REVIEW**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER**

**1. Purpose of Report**

- 1.1 To advise Audit Committee of a change in the number of days in the Audit Plan, to seek views on audit coverage in the second half of the year and to approve the revised Audit Plan for 2022/23.

**2. Background**

- 2.1 The Internal Audit Plan should focus on the key risks facing the Council and support the annual Head of Internal Audit opinion. The plan should achieve a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. This is undertaken through a regular review of any changing activity and risks.
- 2.2 The Annual Audit Plan is developed using a combination of:
- 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
- 2.3 Using the Combined Assurance Model helps streamline and avoid duplication of effort where assurances can be drawn from other sources. The Combined Assurance Model provides coverage of all areas – not just those from Internal Audit.
- 2.4 Planning work takes into account the relative risks of the activity and combined assurance outcomes. Cyclical work is also undertaken on due diligence areas particularly around financial and governance systems.
- 2.5 Internal Audit continues to have the right to conduct its own assurance activity freely and independently to meet its role and remit – even if there appears to be a good level management or alternative assurance in place.
- 2.6 The Internal Audit Plan, together with the combined assurance work, enables the Internal Audit Manager to provide an annual Head of Internal Audit report and opinion around governance, risk and control.

### **3. Reduced Resources in 2022/23**

- 3.1 Following the departure of the Principal Auditor and Auditor the current Audit Plan (Appendix 1) needs to be amended to reflect a lower level of resource. There has also been additional work undertaken on completing 2021/22 audits, grants, whistleblowing, external work and handover which was not included within the previous plan and has had an impact on resources.
- 3.2 The resource shortfall to the end of the financial year is estimated to be 128 days from the City of Lincoln Plan and a loss of income from days provided to the County Council.
- 3.3 To balance this shortfall 10 days of audit work has been bought in from Julia Raftery Consulting Ltd, 22 days of work has been removed and 63 days will be deferred from the Audit Plan until 2023/24. We are looking at the options for resourcing the remaining time. However, if the positions are filled before January some of these audits may be able to be reinstated or costs reduced.
- 3.4 Recruitment to the posts is currently in progress, a verbal update will be provided at the Audit Committee meeting.

### **4. Audit Plan 2022/23 Amendments**

- 4.1 Set out below are the anticipated changes to be made to the original plan (Attached as Appendix 1):-
- 4.2 Proposed to be deferred until 2023/24 Audit Plan:
- Insurance 8
  - CCTV 10
  - Members 8
  - Housing Strategy and New build 10
  - Corporate Asset Management 10
  - Christmas Market 7
  - Housing Repairs 10
- 4.3 Proposed to be removed or changed:-
- Economic Recovery – reduced by 4 days, some work has been completed on grants separately and involved in the Council Tax Rebate group.
  - Western Growth corridor – reduced by 5 days as work now expected to be completed over Quarter 4 2022/23 and Quarter 1 2023/24.
  - Electoral Registration – remove 8
  - Health and Safety – remove, no longer required 5
- 4.4 The revised plan is included as Appendix 2 to this report.
- 4.5 Other areas of work that will be undertaken include Counter Fraud, Advice, Recommendation Follow up, Audit Committee reports & support, IA Strategy & Plan 2023/24, and general audit management.

- 4.6 The revised plan focuses on core financial audits and other key areas to enable internal audit to provide an annual opinion on the governance, risk and control environment at the year end.

## 5. Strategic Priorities

- 5.1 The Internal Audit Service and Plan contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

## 6. Organisational Impacts

- 6.1 Finance – The costs incurred through the outsourcing of a number of audits in the Annual Plan and a loss of income will be partially funded through the vacancy savings accruing until the new staff are appointed; we are currently forecasting a small overspend.
- 6.2 Legal Implications including Procurement Rules - The Council is required under the Accounts and Audit Regulations 2011 to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- 6.3 Equality, Diversity and Human Rights

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

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

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

Due to the nature of the report, no specific Equality Impact Analysis is required.

## 7. Recommendation

- 7.1 Audit Committee are asked to consider the proposed amendments to the Audit Plan, identify any amendments which is considers appropriate, and approve a revised plan for the year.

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: <b>Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?</b>	No

How many appendices  
does the report contain?

Two

List of Background Papers:

None

Lead Officer:

Amanda Stanislawski – Audit Manager  
amanda.stanislawski@lincoln.gov.uk

# Internal Audit

## 2022/23 Plan



## City of Lincoln Council

### March 2022

# Contents

## **The Planning Process**

Page 1

Introduction

Developing the plan

Updating the plan

## **Delivery and Focus**

Page 2

Delivering the plan

Audit focus

Annual internal audit opinion

## **Appendices**

Page 4

A – Internal audit plan

B – Areas not on the audit plan

C – Head of internal audit's opinion

D – Working protocols

E – Our quality assurance framework

### **The contacts at Assurance Lincolnshire are:**

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Paul Berry

Principal Auditor

[Paul.berry@lincoln.gov.uk](mailto:Paul.berry@lincoln.gov.uk)

# The Planning Process

## Introduction

This report sets out the Internal Audit Plan as at 1<sup>st</sup> April 2022. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our audit plan delivers assurance within agreed resources of 313 days, covering the period April 22 to March 23. This includes 300 days of internal resource and 13 days specialist IT resource.

The plan may be amended throughout the year to reflect changing assurance needs.

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Audit and Accounts Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

## Developing the plan

The internal audit plan has been developed using various sources including our external intelligence, local knowledge and the meetings held with Assistant Directors and the Senior Leadership Team as a whole. **Figure 1** shows the key sources of information that has helped inform the plan.

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there

be if things went wrong and what would be the reputational and political impact.

- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when the best time to do the Audit is).

Figure 1 – Key sources of information



## Updating the Plan

Through the year we will collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, other sources of intelligence will include:-

- Committee reports
- Key stakeholders
- Risk registers
- Officer groups

# Delivery and Focus

## Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the various auditees and Assistant Directors. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **313 Days**.  
The core team who will be delivering your Internal Audit plan are:

**Head of Internal Audit / Audit Manager**  
Amanda Stanislawski

**Principal**  
Paul Berry

**Auditor**  
Karen Atkinson

## Audit Focus for 2022/23

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

The impact of Covid on the public sector has been unprecedented. We have previously carried out some assurance work in this area and the plan contains an allocation for post Covid work in 22/23.

Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan, but management may wish to consider whether they should be included.

Area	Reason for inclusion
<b>Financial Governance</b>	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.
<b>Governance &amp; Risk</b>	Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
<b>Critical Activities</b>	Our discussions with Assistant Directors identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.



Area	Reason for inclusion
<b>Project Assurance</b>	There are a number of critical projects identified by the Council.
<b>ICT</b>	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a significant impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively.
<b>Follow Up</b>	<p>In accordance with our follow up protocol we will carry out follow up work when any High priority recommendations are implemented to provide assurance that identified control improvements have been effectively implemented and the risks mitigated.</p> <p>Working with management we also track the implementation of agreed management actions for all audit reports issued.</p>
<b>Combined Assurance</b>	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in the early part of 2023.
<b>Consultancy Assurance</b>	At the request of management, we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

## Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

## Appendix A – Internal Audit Plan 2022/23

Our proposed planned audits are listed below.

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
<b>Financial Governance</b>						
Property/Plant and equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate. Looking at - additions and disposals, valuations and reconciliation of the register – Key control review.	G	N/A			
Insurance	Processes in place ensure that the responsibility for insurance is clearly defined and sustainable, adequate cover is in place, compliance with internal procedures and claims are dealt with promptly.	G	N/A			
General Ledger - Journals, Control Accounts and suspense accounts	Review to ensure that there are controls in place to ensure that journals made are appropriately, control accounts are reconciled, and suspense accounts cleared promptly – Key control	G	N/A			
Income - Bank Rec	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified – Key control	G	N/A			
<b>Governance and Risk</b>						
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	A	12	✓		
Health & Safety	Risk assessments process	A	11			✓
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	N/A	N/A	✓		
Counter Fraud	NFI, strategy, policy, health check, partnership, training, money laundering, identity.	A	10			
Electoral Registration	Review of the maintenance of the electoral register.	A	9			

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
<b>Critical Activities</b>						
Housing Strategy and New build / new homes	The Council has a plan in place that includes the delivery of new homes which is realistic and adequately resourced. There are processes in place which ensure that any conditions of funding are adhered with.	A	13		✓	
Economic Recovery - Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	A	13	✓	✓	
Corporate Asset Management	There is an up-to-date Strategic Asset Management plan in place which is appropriately communicated.	A	12	✓		
CCTV	Review of the processes in place to ensure that the service complies with the regulatory requirements, is appropriately resourced and has processes in place for maintaining and sharing information in response to incidents. Equipment is maintained and secure.	A	12			
Fleet	Review to ensure that the fleet is procured and managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	A	12			
Christmas Market	There are plans in place setting out the aims and objectives for the market measuring its performance. Processes are in place for the secure collection of income and procurement of goods and services to support the operation of the market.	A	12			
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	A	12		✓	
Members	Review of the processes in place to ensure that Members receive the resources (kit & expenses) and development required including their responsibilities and communication especially via social media (Code of Conduct).	A	11			

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	A	11			
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	G	13		✓	
<b>Programme / Project Assurance</b>						
Housing IT	System Implementation Gateway reviews	R	10			
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	A	11	✓		
<b>ICT</b>						
IT DR	Assurance on IT DR planning, incident response & infrastructure resilience	G	N/A	✓		✓
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	A	N/A			
<b>Follow-up</b>						
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	N/A	N/A			
<b>Combined Assurance</b>						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	N/A	N/A			
<b>Days</b>		<b>230</b>				

<b>Non-Audit</b>	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
<b>Days</b>	<b>48</b>

<b>Grand Total</b>	<b>Total</b>
<b>HB Subsidy Testing</b>	<b>35</b>
<b>Total Internal Audit Days</b>	<b>313</b>

## Appendix B –Areas not included in the current plan

These are the areas which are not on the plan but are important.

Auditable Areas	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
IT Operations Security	To ensure appropriate security / process arrangements in line with policy/strategy and good practice. Areas to be determined at the start of the audit.	A				
Housing Rents	To review the processes in place which ensure that voids are managed effectively reducing the loss of income. Rent is charged correctly to the correct people, collected promptly, accounted for accurately and arrears are managed effectively in accordance with policies.	A	10			
Contract Management	To review the processes in place for managing contracts throughout the Council.	CPR - G	N/A			
Business Continuity	Review of the lessons learned from the pandemic ensuring that these have been incorporated into the arrangements and plans going forward.	A	12			
Sincil Bank Regeneration	Project delivery	A	11	✓		
City Infrastructure	Arrangements in place to manage and implement the infrastructure plans within the City (Links in with the Lincolnshire Transport Plan and Strategic Infrastructure Development Plan)	A	11			
Tourism	Review of the arrangements in place for improving the visitor economy.	A	11	✓		
Parking	Review of the Income collection processes and the strategy.	G	11			
Emergency Planning	Review of the lessons learned from the pandemic ensuring that these have been incorporated into the arrangements and plans going forward.	G	11			

Auditable Areas	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
Housing Assistance	Review of the processes in place for Disabled Facilities Grants, Decant Homes and Security Grants.	<b>G</b>	<b>11</b>			
HRS IT	Review of the implementation of the changes to the system.	<b>R</b>	<b>10</b>			
Procurement	Procurement is undertaken in accordance with legislation and Council policy. Use of Procurement cards is controlled and monitored.	<b>G</b>	<b>9</b>			
Strategic Street Scene Man	Assurance over the arrangements in place over the re-tendering of the contract.	<b>R</b>	<b>9</b>			
Elections & Electoral Registration	Annual review of expenses claims plus maintenance of the electoral register	<b>A</b>	<b>9</b>			✓

## Appendix C – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

### Our Internal Audit Strategy

It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach, it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2**.

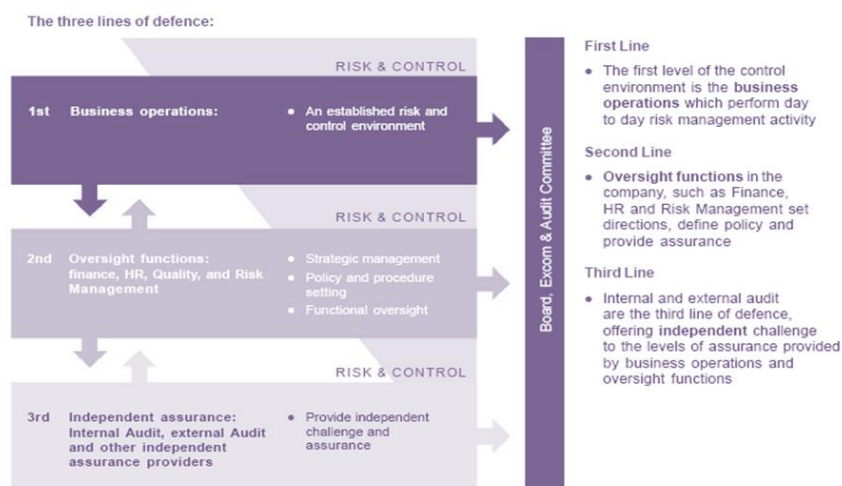


Figure 2 – The three lines of defence

Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.



## Appendix D – Working Protocols

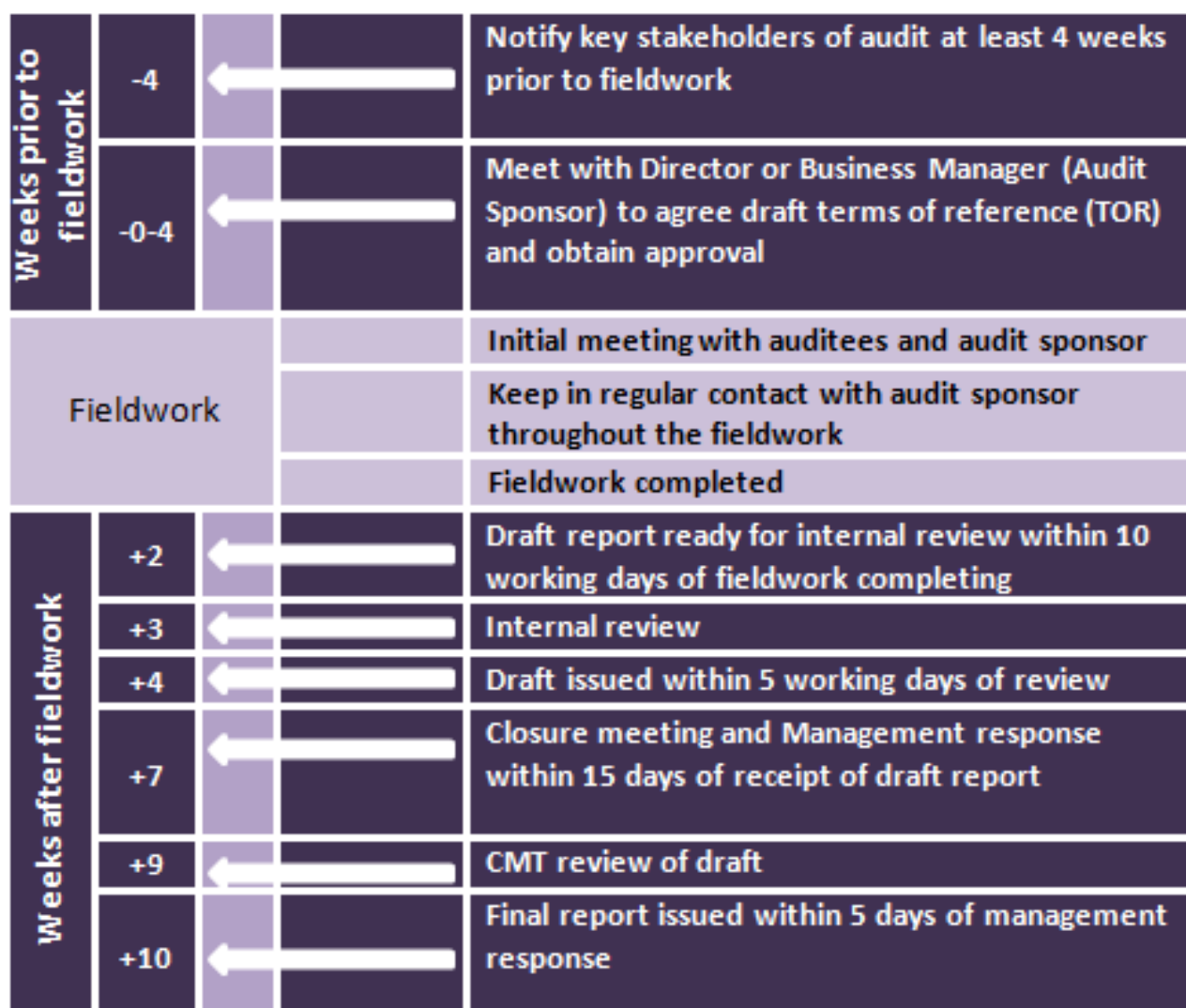
Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work.
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.



## Appendix E – Our Quality Assurance Framework

Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

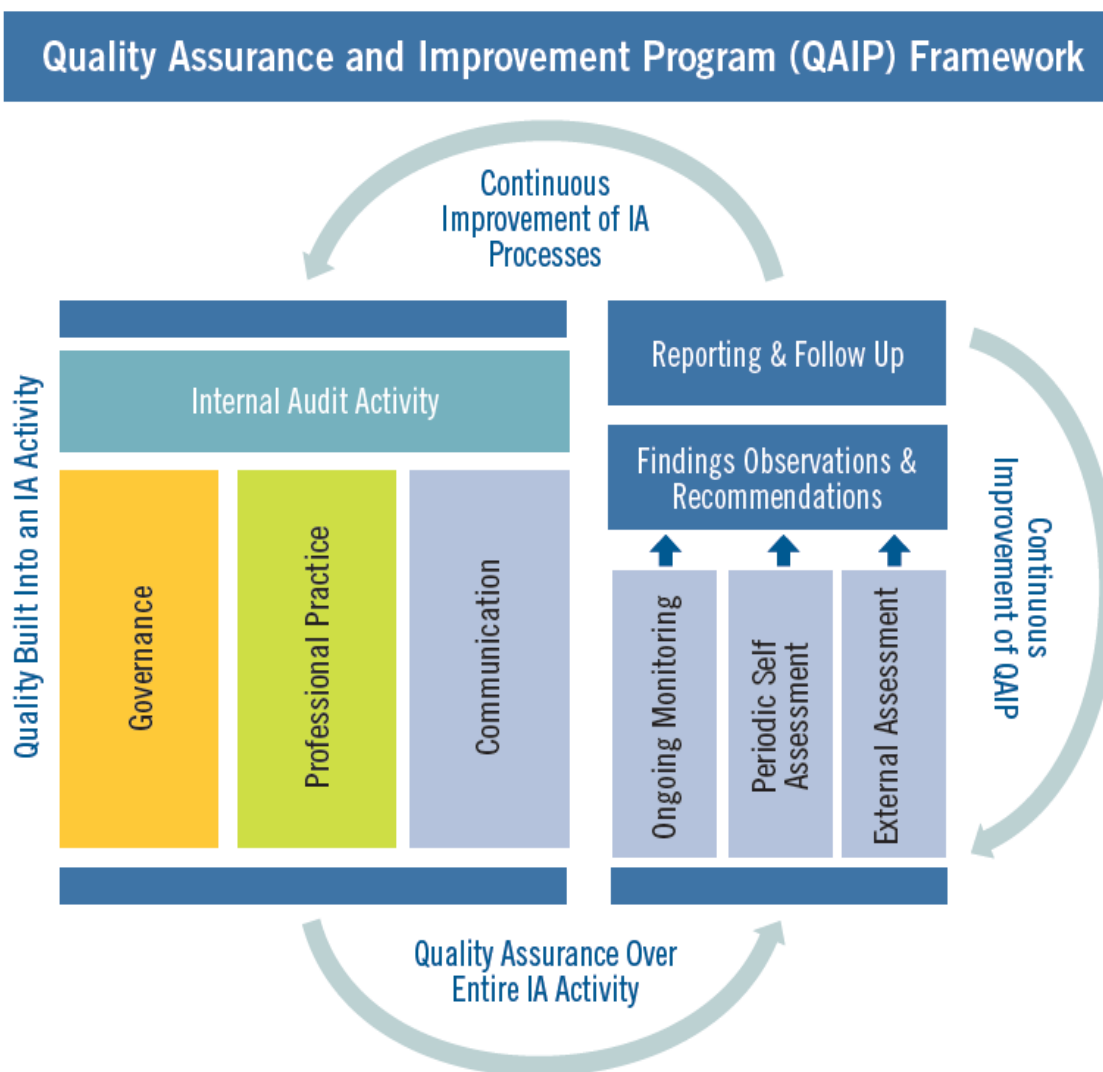
Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must

cover all aspects of internal audit activity – **The diagram below** shows how we structure our internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit Committee and was reviewed in 2019 (and 2020) following the planned revision of the CIPFA Local Government Application Note.



# Internal Audit

## Revised 2022/23 Plan



**City of Lincoln Council**  
**October 2022**

# Contents

## The Change Process

Page 1

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Introduction

## Appendices

Page 2

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A – Internal audit plan

B – Changes made to the plan

The contacts at Assurance Lincolnshire are:

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Audit Manager (Head of Internal Audit)

[Amanda.stanislawski@lincoln.gov.uk](mailto:Amanda.stanislawski@lincoln.gov.uk)

## Introduction

As stated within the original plan it is usual to revise the plan mid-year to reflect the current risk environment and also align the remainder of the plan with the resources available. This process ensures that the work completed remains focussed on the areas of greatest value whilst remaining sufficient to support the annual audit opinion.

This year however it is more challenging due to the level of vacancies within the team and the recruitment process. We have anticipated that the two vacancies within the Team from September 2022 will not be filled until at least January 2023 due to the time taken to recruit and the potential notice periods of successful candidates. This has therefore reduced the resources available and necessitated a reduction in days to 228 from 313.

We have appointed a contractor to complete some days and are currently reviewing the various options available for covering further days. These include using contractors, agency workers and also working with Lincolnshire County Council as our partner. The actual level of support will depend on the recruitment process.

The process used to prioritise the work has included an assessment of the risk, both financial and non-financial and has drawn on intelligence from across the council.

Appendix A details the revised plan. Those audits highlighted are already in progress.

Appendix B details the changes made to the plan and the rationale behind the changes.

The impact of the vacancies has been reduced due to the reduction in the external work undertaken. The consequence of this will be a reduction in income for the current

year. The savings in salary will contribute towards this and also the additional resources brought in to ensure that the plan coverage is sufficient.

## Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

# Appendix A – Internal Audit Plan 2022/23

Our proposed planned audits are listed below.

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
<b>Financial Governance</b>						
Property/Plant and equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate. Looking at - additions and disposals, valuations and reconciliation of the register – Key control review.	G	N/A			
General Ledger - Journals, Control Accounts and suspense accounts	Review to ensure that there are controls in place to ensure that journals made are appropriately, control accounts are reconciled, and suspense accounts cleared promptly – Key control	G	N/A			
Income - Bank Rec	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified – Key control	G	N/A			
<b>Governance and Risk</b>						
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	A	12	✓		
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	N/A	N/A	✓		
Counter Fraud	NFI, strategy, policy, health check, partnership, training, money laundering, identity.	A	10			
<b>Critical Activities</b>						
Economic Recovery - Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	A	13	✓	✓	



Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
Fleet	Review to ensure that the fleet is procured and managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	A	12			
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	A	12		✓	
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	A	11			
<b>Programme / Project Assurance</b>						
Housing IT	System Implementation Gateway reviews	R	10			
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	A	11	✓		
<b>ICT</b>						
IT Disaster Recovery	Assurance on IT DR planning, incident response & infrastructure resilience	G	N/A	✓		✓
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	A	N/A			
<b>Follow-up</b>						
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	N/A	N/A			
<b>Grants</b>						
COMF (Contain outbreak and Management Fund)	Certification of the grant	N/A	N/A			
Test and Trace	Certification of the grant	N/A	N/A			

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
<b>Combined Assurance</b>						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	N/A	N/A			
<b>Days</b>		<b>145</b>				

<b>Non-Audit</b>	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
<b>Days</b>	<b>48</b>

Grand Total	Total
HB Subsidy Testing	35
<b>Total Internal Audit Days</b>	<b>228</b>

**Highlighted** – Audit in progress/complete



## Appendix B – Changes made to the Plan

Following our assessment of risk and review of business intelligence from across the council, the following changes have been made to the audits listed below. Information on the rationale for each change has also been included.

Audit	Change	Rationale
COMF	Added	Management request – certification required HIA sign-off
Test and Trace	Added	Management request – certification required HIA sign-off
Insurance	Deferred	Insurance renewal just taken place and capacity limited.
CCTV	Deferred	Lower priority.
Members	Deferred	Lower priority.
Housing Strategy and New Build	Deferred	Lower priority.
Corporate Asset Management	Deferred	Lower priority. Financial aspects covered.
Housing Repairs	Deferred	Lower priority.
Christmas Market	Deferred	Postponed from Q2 due to capacity within the team. To do a backward look in early 2023/24.
Economic Recovery	Days reduced	Some work has been completed on grants separately and involved in the Council Tax Rebate group. Coverage to concentrate on economic development.
Western Growth corridor	Days reduced	Project is not as far forward as thought when original audit plan was drawn up so review will span 2022/23 & 2023/24.
Electoral Registration	Removed	Lower priority/risk.
Health and Safety	Removed	Request by management but deferred for last two years by auditee so not a priority review.

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**AUDIT COMMITTEE**

**15 NOVEMBER 2022**

**SUBJECT: INTERNAL AUDIT PROGRESS REPORT**

**REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK**

**LEAD OFFICER: AMANDA STANISLAWSKI, AUDIT MANAGER**

**1. Purpose of Report**

- 1.1 To present the Internal Audit Progress Report to the Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

**2. Executive Summary**

- 2.1 The report highlights progress against the audit plan up to the end of September. We have currently completed 33% of the plan which is slightly behind target mainly due to the handover work, whistleblowing and recruitment. There was also additional work required on 2021/22 audits. Recruitment is proving difficult and despite two attempts we have not been able to recruit to the vacant posts. The posts are currently being advertised for a third time.
- 2.2 During the year it is good practice to review the plan and update for any changes in priorities and resources and therefore a separate report to this Committee has been made setting out the proposed changes. This plan is based on an estimate of resources for the remainder of the year.
- 2.3 Three reports have been issued since the previous Progress Report in July. These include the Medium Term Financial Strategy (High), Housing Benefit Subsidy (Substantial) and Performance Management (Limited).
- 2.4 Two additional pieces of work have also been completed at the request of management, the certification of the Test and Trace grant and the Contain Management Outbreak Fund grant.

**3. Internal Audit Progress Report**

- 3.1 The Internal Audit progress report attached (Appendix A) covers the following areas :-
- Progress against the plan
  - Summary of Audit work
  - Current areas of interest relevant to the Audit Committee

**4. Organisational Impacts**

- 4.1 Finance (including whole life costs where applicable)

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

#### 4.2 Legal Implications including Procurement Rules

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

#### 4.3 Equality, Diversity & Human Rights

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

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

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

There are no direct E and D implications arising as a result of this report.

### 5. Recommendation

- 5.1 Audit Committee are asked to review and comment on the content of the latest Internal Audit Progress Report for 2022-23.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

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

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

**List of Background Papers:** None

**Lead Officer:** Amanda Stanislawski, Audit Manager, Telephone 873321

# Internal Audit Progress Report



**City of Lincoln Council  
September 2022**

# Contents

## Key Messages

Page 2

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Introduction  
Summary  
Assurances

## Internal Audit work completed

Page 3

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Overview of Assurances  
Audit Reports at Draft  
Work in Progress

## Benchmarking

Page 7

Key Performance Indicators

## Other Matters of Interest

Page 8

## Appendices

Page 9

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1 Limited / Low Assurance Reports  
2 Assurance Definitions  
3 2022/23 Audit Plan

Amanda Stanislawski – Audit Manager (Head of Internal Audit)  
[Amanda.stanislawski@lincoln.gov.uk](mailto:Amanda.stanislawski@lincoln.gov.uk)

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This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Introduction

The purpose of this report is to:

- Provide details of audit work during the period July – 30 September 2022
- Advise on progress with the 2022/23 Plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

Progress is being made on the current 2022/23 plan (Appendix 3). We have now completed 33% of the plan to date (including the 2021/22 work carried over). Progress is slower than planned due finishing 2021/22 audits, whistleblowing, recruitment and handover. A revised plan has been produced and is reported to Committee as a separate report. Once approved the following Progress Reports will monitor against the revised plan.

We have seven pieces of work in progress, three at draft report stage, three at testing stage, and one being prepared (Appendix 3). We are also involved in the co-ordination of the National Fraud Initiative which is taking place this year.

We have completed the certification of two grants, Contain Management Outbreak Fund (COMF) and Test and Trace. We continue to provide advice and assistance to the group administering the £150 energy support payment (Council Tax Rebate).

The team currently has two vacancies. The recruitment processes have been unsuccessful so far. The posts are currently being re-advertised.

## Assurances

Three assurance reviews have been completed:-

- Medium Term Financial Strategy – High Assurance
- Housing Benefit Subsidy – Substantial Assurance
- Performance Management – Limited Assurance

Summaries of the reports are provided on the following pages. Appendix 1 contains an extended summary for the limited report.

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

1

**HIGH  
ASSURANCE**

1

**SUBSTANTIAL  
ASSURANCE**

1

**LIMITED  
ASSURANCE**

0

**LOW  
ASSURANCE**

2

**CONSULTANCY**

# High Assurance

We have provided a High level of assurance as the Council has appropriate processes in place to prepare and monitor its Medium Term Financial Strategy (MTFS).

The MTFS is prepared annually by experienced and qualified staff in accordance with current guidance, considering external factors such as changes to local government finance and the economic climate as well as internal aspirations over the five year term. The plan is fully updated annually reviewing all of the years not just adding another year onto the end.

A robust production process is followed for the MTFS ensuring that the Corporate Management Team and Members are involved before it is finalised. Consultation with the public also took place on the budget levels as part of the budget setting process.

Assumptions made within the MTFS are supported by narrative setting out what they are and how they were arrived at. The reserve levels are considered by the Chief Finance Officer in compliance with the Councils Financial Procedure rules which require recommendations to be made to the Executive and Full Council. The reports to these meetings contained the reserve levels supported by explanations and also referenced the Financial Resilience Indicator which compares changes. The MTFS also includes a risk register which covers the various financial risks, assessing the exposure, likelihood and possible mitigating actions.

The MTFS clearly links to the Councils corporate plan 'Vision 2025' setting out that the MTFS underpins it ensuring that financial resources are directed towards its delivery. There are also clear links with the Capital Strategy and the Housing Revenue Account Business Plan. A review against the Financial Management Standards as set out within the CIPFA Code of Financial Management was undertaken and the results presented to the Audit Committee in March 2022.

We have not made any recommendations as a result of this audit.

## MTFS



# Substantial Assurance

## Housing Benefit Subsidy

No errors were identified as part of Module 2 testing.

We examined sixty-three cases in respect of payments made in the 2021/22 financial year and five were found to contain errors;

### Error 1 & 2 – Non HRA Rent Rebate

Incorrect split of cells 14 and 15 due to using a shared LHA rate rather than a self-contained 1 bed LHA rate (both claims were flats in the same building)

### Error 3 – Rent Allowance

Incorrect rent protection used, resulting in an underpayment of £369.20

### Error 4 – Rent Allowance Modified Scheme

Occupational Pension not used in the calculation, resulting in an overpayment of £2,182.60

### Error 5 – Rent Rebate

Incorrect classification of an overpayment – should be LA error rather than Eligible.

We have made one recommendation that the errors identified should be incorporated into ongoing assessor training.

The level of errors found this year is a bit higher than last year but is still lower than in previous years.

# Limited Assurance

Our review has identified significant weaknesses across the key scoped areas, and it is for this reason that a 'Limited' assurance opinion has been awarded. The full report summary can be found in Appendix 1. This also contains the management comments covering the reason for commissioning the audit, the actions already underway and areas where management did not fully agree with the findings.

The key findings are as follows:-

- Update of the Lincoln Performance Management Framework is overdue and its content needs strengthening to provide clarity and further detail on overarching performance monitoring and reporting arrangements in place and further demonstrate accountability ('set the tone' from the top).
- The Performance Measures Data Quality Policy contains insufficient detail on roles and responsibilities and key control measures relating to performance data collection and reporting.
- A set of current, complete and comprehensive control sheets is not in place that clearly defines each performance indicator measure and ensures that 'results' are accurate and reliable.
- The current PIMS system has significant constraints which are being exacerbated by the wider issues identified in this report; raising questions over whether it remains fit for purpose.
- It is not clearly evident that all outstanding question responses/ information requests arising from Committee's scrutiny of the quarterly Operational Performance Reports are being responded to and/ or timely. Tracking of outstanding responses should be strengthened to ensure required actions are not 'lost' and to enforce accountability.

Areas of good practice identified include:-

- Operational performance is being regularly reported to senior management and Members, with evidence of scrutiny and challenge of the information presented.
- Performance data is reported in a formalised way through CMT, Performance Scrutiny Committee and Executive and also discussed at multiple levels within and across the Council
- As formally reported in March 2022, as part of 2022/23 target setting and target reporting for Q3 2021/22, several inconsistencies have already been highlighted and initial steps taken by Corporate Policy Team; to both identify and rectify inaccurate reporting processes and gather updated core information on current performance measures.

### Audits in Progress

- IT Programme & Project Management 21/22 – Draft report
- Stores 21/22 – Draft report
- De Wint Court – Draft report
- Staff Welbeing – Fieldwork in progress
- Climate Change – Fieldwork in progress
- Housing IT – First gateway review completed, others to be completed throughout the process.
- Combined Assurance - preparation

Lincoln Christmas Market – Fieldwork started but postponed until Q4

### Other work

- COMF Grant certification
- Test and Trace Grant certification
- Council Tax Rebate - advice
- Recruitment process – advertised externally and no applicants. Re-advertised in different places and interviewed but not appointed. Re-advertised again.
- Revised plan drawn up to reflect vacancies
- NFI – co-ordination and returns.

### Amendments to the Audit Plan

Additions:-

- COMF Grant certification
- Test and Trace Grant certification

### Audit work undertaken for Assurance Lincolnshire

Covering the Principal role for the South East Lincolnshire Partnership. Two audits completed to draft report – Boston Borough Council Housing Benefit Subsidy and West Lindsey DC Contract Management. One Audit in progress Levelling up Fund and one consultancy piece at the partnership, Towns Fund.



Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

**Rated our  
service Good  
to Excellent**

**33%  
Plan  
Completed**





# Other matters of interest

A summary of matters that will be of particular interest to Audit committee members



## Audit Committee Update 36

CIPFA issued update 36 in August 2022 covering the Guidance on Audit Committees in Local Authorities and Police and Internal Audit Untapped Potential.

### Guidance on Audit Committees in Local Authorities and Police

Position statement issued in April 2022 replacing the 2018 edition. It take into account the changes in legislation and other developments that affect the role of the Committee. The guidance document to support the position statement was published in October 2022.

The guidance covers the purpose of the committee and sets out good practices that the committee should follow. These include:-

- Establishing an independent and effective model
- Ensuring that the committee covers the core functions:
  - Supporting the maintenance of governance, risk, and control arrangements
  - Financial and governance reporting
  - Appropriate and effective arrangements for audit and assurance
- Establishing a committee with the necessary expertise and understanding
- Engaging with those charged with governance, senior officers, auditors, and other committees
- Reporting annually
- Evaluation of its own impact and identifying areas for improvement

The statement puts a stronger emphasis on the Committee being independent of executive decision making and for financial reporting and external audit reporting to build on themes considered under the Redmond Review. It also recommends that Committee should have at least two lay members to provide appropriate technical expertise.

[Work will be undertaken to review the Audit Committee's Terms of Reference in line with the guidance and report back to a future Committee.](#)

### Internal Audit Untapped Potential

This is a research report of internal audit across the public services. The report highlights how internal audit is having an impact and supporting their organisations. It also identifies opportunities to do more and for audit committees and management to better support internal audit.

[A full copy of the Update is included here](#)



Microsoft Edge  
PDF Document

## Performance Management

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### Scope

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A high-level review to provide independent assurance that the Council's performance management framework is enabling the effective monitoring and reporting of operational performance and levels of service delivery.

To identify any issues or inefficiency within performance management and provide relevant and realistic recommendations to improve these.

Areas of focus included (but were not limited to):-

- PIMS and other key I.T systems being used to determine, monitor and report performance - high level only.
- Roles & responsibilities.
- Data quality and accuracy.
- Reporting.
- Corrective action.

The review has been informed by meetings with the Council's Corporate Policy Team, plus managers/officers responsible for performance monitoring within the following sampled Directorate areas:-

Chief Executive:-

- *Communications* – Communications Manager
- *Customer Services* – Customer Services Manager & Assistant Customer Services Manager

Communities & Environment:-

- *Sport & Leisure* – Leisure, Sport & City Services Manager & Leisure and Recreation Team Leader

Housing & Investment: -

- *Housing Voids and Housing Maintenance* – Housing Performance Team Leader

Due to the high-level nature of this review, detailed sample testing was not undertaken as part of the scope.

We are aware that an informal internal review of performance measures and targets (and the wider framework under which they operate) is currently underway by the Corporate Policy Team. Relevant early findings from this work have been considered as part of our review.

## Executive Summary

Risk	Rating (R-A-G)	Recommendations*	
		High	Medium
Risk 1 – The I.T. system(s) in place for managing performance is ineffective.	Red	1	0
Risk 2 – The quality and accuracy of data is poor and does not promote sound decision-making.	Red	3	0
Risk 3 – Lack of accountability or clarity of roles and responsibilities in relation to performance management.	Red	3	0
Risk 4 – Performance reporting arrangements are inadequate and ineffective.	Amber	0	3
Risk 5 – Corrective action is not taken to address areas of under-performance.	Amber	0	2
Risk 6 – Performance measures are not reviewed, are outdated and/or no longer meet the needs of the Council.	Green	0	0

\* Of the total five Action Plan Findings made, all cover multiple risks

For performance monitoring and reporting to be effective it is dependent on the information being used being reliable, relevant and accurate. Good quality performance data is imperative for the meaningful assessment of performance and to identify if performance outcomes are improving or under-performing, inform decision making, and ultimately, drive improvement in service delivery.

Ensuring a robust performance management framework and high quality performance data is a complex task, reliant on a multitude of factors; each is interlinked and dependant on others for the overlying 'performance management system' to work effectively as a whole.

At its simplest level we have judged this by assessing if there is clear corporate direction from the Council on what individuals (or groups) should be doing in respect of performance management, how they should be doing it and when (i.e. clear roles, responsibilities and accountability), and if a sound control environment exists and effective systems are in place/ being operated that are enabling their correct and consistent enactment.

Whilst an overarching framework, policy and associated guidance is in place, our review identifies key documentation in this regard is out of date and/ or lacks clarity. And whilst responsibility for maintaining a robust control environment resides predominantly with service areas, and our discussions confirm some control.

## Executive Summary

processes are indeed in operation, due to lack of clear, current and comprehensive direction centrally, each is being interpreted differently. This is ultimately resulting in inconsistencies, inefficiency and is compromising the accuracy and reliability of performance data being produced.

Our review has identified significant weaknesses across the key scoped areas, and collectively it is for this reason that a '**Limited**' assurance opinion has been awarded. For the purpose of this audit report the 'issues' have been split into separate Action Plan findings, however it is important to note that they are not entirely discrete and have inter-dependencies. As such, there is a degree of overlap in the implications, associated risks and recommendations made for each.

At a headline level they are as follows:

- Update of the **LPMF** (the key overriding framework) is overdue and its content needs strengthening to provide clarity and further detail on overarching performance monitoring and reporting arrangements in place and further demonstrate accountability ('set the tone' from the top).
- The **Performance Measures Data Quality Policy** contains insufficient detail on roles and responsibilities and key control measures relating to performance data collection and reporting, which collectively ensure high quality data through consistent application/ operation by staff.
- A set of current, complete and comprehensive **control sheets** is not in place that clearly defines each performance indicator measure and ensures that 'results' are accurate and reliable.
- The current **PIMS system** is an adequate performance collation and reporting tool but has significant constraints which are being exacerbated by the wider issues identified in this report; raising questions over whether it remains fit for purpose.



- It is not clearly evident that all outstanding question responses/ information requests arising from Committee's scrutiny of the quarterly Operational Performance Reports are being responded to and/ or timely. Tracking of **outstanding responses** should be strengthened to ensure required actions are not 'lost' and to enforce accountability.

We do recognise there are areas of good practice. These include:

- Operational performance is being regularly reported to senior management and Members, with evidence of scrutiny and challenge of the information presented.
- Whilst performance data is reported in a formalised way through CMT, Performance Scrutiny Committee and Executive, performance is also discussed at multiple levels within and across the Council; within team meetings, quarterly to Directorate Management Teams (DMT's) and through various other means.
- As formally reported in March 2022, as part of 2022/23 target setting and target reporting for Q3 2021/22, several inconsistencies have already been highlighted and initial steps taken by Corporate Policy Team; to both identify and rectify inaccurate reporting processes and gather updated core information on current performance measures.

## Management Response

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In commissioning this review, we knew the policies and procedures were outdated and we had previously scheduled this work, but COVID 19 and the diversion of the policy team onto that work necessitated a planned delay. In addition, two members of the team have now left and with one team member being new, this has left a corporate capacity of two officers, one being junior. In response to the team capacity issues and the delay to the framework update, CMT have ensured that the full range of performance management information continues to be utilised to effectively identify and address performance issues across service areas". We recognised the need to update our LPMF prior to the audit - hence the request to examine this area. As such the audit has been helpful to further focus our attention.

Overall, the LPMF continues to work well. There is an acceptance that data quality can always be improved, and the recommendations within the audit report around introducing new data control sheets for each indicator will see a further improvement in data quality. The data being reported currently does not have material errors within it. Evaluating performance of any service comes from a range of information, not just the performance indicators but also levels of customer complaints, staff feedback (121's, Extended DMT, DMT), vacancy levels and budget position. The triangulation of this information already shows senior management and Members where focussed effort is required and hence management decisions over resource switching continue to be effectively taken in key service areas. The performance information collected correlates with these other information sources.

Plans are already progressing, in terms of a comprehensive management of change process, to bring two performance teams together and hence bolster capacity in this area and standardise processes. The recruitment of a new manager and Assistant Director will provide much needed additional capacity at a senior level to review the policy and supporting documents.

We continue to provide a full performance management system, against metrics agreed with portfolio holders and this leads to robust scrutiny at DMT, CMT, scrutiny committee and Executive levels. Our focus now will be on ensuring the data quality through the re introduction of the data control sheets and then move onto a review of the formal policies followed later in the year by a review of the indicator set.

Director for Communities and Environment

**High**

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

**Substantial**

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

**Limited**

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

**Low**

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
21/22 Performance Management	Assurance that the PM Framework enables the Council's performance to be effectively monitored.	Q4	Mar 22	Aug 2022	Limited
21/22 Stores	Assurance on the changeover of the contractor.	Q4	Apr 22		Draft Report
21/22 ICT Programme & Project Management	Assurance on general programme and project management.	Q4	Feb 22		Draft Report
21/22 Medium Term Financial Strategy	Assurance that assumptions, reserve levels, etc are appropriate and there is integration with other strategic documents	Q4	Mar 22	July 22	High
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 22	June 22	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 22		Substantial
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	Q1	Sept 22 Start delayed until September by auditee.		In Progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	Q1			Draft Report
Housing IT	System Implementation Gateway reviews on the project to upgrade the Universal Housing system	Q1-3			First gateway review completed
IT Disaster Recovery (IT Consultant)	Assurance on IT DR planning, incident response & infrastructure resilience.	Q1-2			Postponed until Q4 at request of auditee
Christmas Market	There are plans in place setting out the aims and objectives for the market measuring it's performance. Processes are in place for the secure collection of income and procurement of goods and services to support the operation of the market.	Q2			Started – put on hold until Q4 due to auditee capacity. Unexpected additional work. To remove if approved.
Economic Recovery – Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	Q2			To remove if approved.
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	Q2-3			Fieldwork in progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Members	Review of the processes in place to ensure that Members receive the resources (kit & expenses) and development required including their responsibilities and communication especially via social media.	Q2-3			To remove if approved.
Electoral Registration	Review of the maintenance of the electoral register.	Q3			To remove if approved.
Fleet	Review to ensure that the fleet is procured & managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	Q3			
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3			To remove if approved.
Health & Safety	Review operation of new risk assessment process.	Q3			To remove if approved.
Insurance	Processes in place ensure that the responsibility for insurance is clearly defined and sustainable, adequate cover is in place, compliance with internal procedures and claims are dealt with promptly.	Q3			To remove if approved.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Property, Plant & Equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate (additions / disposals, valuations & reconciliation of the register).	Q3			
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	Q3-4			
Corporate Asset Management	There is an up-to-date Strategic Asset Management plan in place which is appropriately communicated.	Q3-4			To remove if approved.
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	Q3-4			
Housing Strategy & New Build / New Homes	The Council has a plan in place that includes the delivery of new homes which is realistic and adequately resourced. There are processes in place which ensure that any conditions of funding are adhered with.	Q4			To remove if approved.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
General Ledger (Journals, Control Accounts & Suspense Accounts)	Review to ensure that there are controls in place to ensure that journals made are appropriate, control accounts are reconciled and suspense accounts cleared promptly.	Q4			
CCTV	Review of the processes in place to ensure that the service complies with the regulatory requirements, is appropriately resourced and has processes in place for maintaining and sharing information in response to incidents. Equipment is maintained and secure.	Q4			To remove if approved.
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	Q4			
Income – Bank Reconciliation	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified.	Q4			
Combined Assurance	Update of the Combined Assurance Map	Q4			Preparation being undertaken
Audit Strategy & Plan	Audit Strategy & Plan for 2023/24	Q4			



**AUDIT COMMITTEE**

**15 NOVEMBER 2022**

**SUBJECT: WHISTLEBLOWING POLICY AND GUIDANCE**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER**

**1. Purpose of Report**

1.1 To update the Whistleblowing policy and guidance.

**2. Background**

2.1 The Council's whistleblowing policy is part of range of counter fraud policies which are reviewed every two years (or sooner if required). The policy was last reviewed in March 2020 where there was little change made. There has been a slight delay in reviewing the policy this year due to staff capacity.

2.2 A Whistleblower is generally a term used for a person who works in or for an organisation and raises 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 the organisation.

2.3 UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be in the public interest. If workers bring information about a wrongdoing to the attention of their employers or a relevant organisation, they are protected in certain circumstances under the Public Interest Disclosure Act 1998. This is commonly referred to as '*blowing the whistle*'. The law that protects whistleblowers is for the public interest - so people can speak out if they find malpractice in an organisation. Blowing the whistle is more formally known as '*making a disclosure in the public interest*'.

**3. Policy and Guidance**

3.1 The Council's current whistleblowing policy has been updated to correct paragraph numbering, reflect changes in personnel and other external links. There have been no material changes to the content.

3.2 A copy of the policy and guidance is attached at Appendix A with the changes marked.

**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; however the policy helps ensure compliance with UK law.

#### 4.3 Equality, Diversity and Human Rights

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

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

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

Due to the nature of the report, no specific Equality Impact Analysis is required.

### 5. Recommendation

5.1 Audit Committee are asked to approve the updated policy and guidance.

Key Decision	No
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Do the Exempt Information Categories Apply?	No
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Call in and Urgency: <b>Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?</b>	No
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How many appendices does the report contain?	One
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List of Background Papers:	None
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Lead Officer:	Amanda Stanislawski, Internal Audit Manager Amanda.stanislawski@lincoln.gov.uk
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# **Whistleblowing Policy and Guidance**

**August 2022**

**Version 1.06**

## Document Control

Organisation	City of Lincoln Council
Title	Whistleblowing Policy and Guidance
Author	Amanda Stanislawski Audit Manager / Claire Burroughs Human Resources Manager
Owner/Responsible Officer	Carolyn Wheater City Solicitor (Monitoring Officer)
Consultation	Audit Committee
Version	1.06
Next Review Date	August 2024

Review Arrangements: Every two years

## Document Amendment History

Revision	Originator	Date	Description
1.01		Sept 2013	
1.02		July 2015	
1.03		September 20	
1.04		December 2017	
1.05	John Scott	March 2020	Formatting and update names and websites.
1.06	Amanda Stanislawski	August 2022	Re-numbering paragraphs, update names and websites.

## Introduction

1. A Whistleblower is generally a term used for a person who works in or for an organisation and raises 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 the organisation. This reporting is sometimes called whistleblowing. You should take prompt action to raise concerns if you believe something is wrong.

The Whistleblowing law is contained in the Public Interest Disclosure Act 1998 (PIDA – amended by the Enterprise and Regulatory Reform Act 2013). Public bodies, such as this Council, are required to have a Whistleblowing policy and to ensure that employees are not victimised or dismissed for raising their concerns internally, or subjected to any other detriment.

2. We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We want to assure you that there is no reason to remain silent; your decision to talk to us may be difficult but, if you believe what you are saying is true, you have nothing to fear as you are following the Council's Code of Conduct and helping to protect colleagues, the users of our services and the residents of Lincoln.
3. We will not tolerate any harassment or victimisation of whistleblowers and we will take action to protect those who raise concerns. UK law protects workers\* from dismissal, harassment or victimisation if such treatment occurs as a result of having made a qualifying whistle-blowing disclosure considered to be in the public interest.  
*\*A worker is someone with a contract or other arrangement to do work or services such as an employee or an agency worker.*
4. Qualifying disclosures are disclosures of information where the worker reasonably believes that one or more of the following matters is either happening, has taken place, or is likely to happen in the future.
  - A criminal offence, for example fraud
  - The breach of a legal obligation
  - A miscarriage of justice
  - A danger to the health and safety of any individual
  - Risk of or actual damage to the environment
  - Deliberate attempt to conceal any of the above - you believe someone is covering up wrongdoing

You can also report suspected fraud or corruption (which could be a breach of a legal obligation)

5. If a worker is going to make a disclosure it should be made to the employer first, or if they feel unable to use the organisations procedure the disclosure should be made to a prescribed person (see paragraph 33), so that employment rights are protected. Workers who 'blow the whistle' on wrongdoing in the workplace can claim unfair dismissal if they are dismissed or victimised for doing so.

## Scope

6. You can also use our whistleblowing reporting arrangements if you are contractor, supplier, partner or member of the public. Protection however only applies to our workers. You may have concerns or information which you think we should know about or look into. You should, however, normally follow the Corporate Complaints process if your concern is about a particular service that we have provided you. Members of the public who raise concerns are not legally protected by PIDA, so we do offer the option for the person making the allegations to withhold their identity at the time concerns are raised.
7. Our Whistleblowing arrangements do not replace the following:
  - Corporate Complaints Procedure
  - Disciplinary Policy
  - Grievance Policy
  - Dignity at Work Policy
  - Child Protection Safeguarding reporting
  - Adult Care Safeguarding reporting

These policies and reporting procedures should be used where applicable. Our Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance or complaint once you have exhausted the relevant employment procedures.

## Protection and Confidentiality

8. You are protected in law from harassment and bullying when you raise a legitimate concern. We will not tolerate any harassment or victimisation (including informal pressure) and we will take action to protect you when you raise a concern believed to be in the public interest. We will take disciplinary or corrective action should anyone attempt to victimise the whistleblower or prevent concerns being raised.

You shouldn't be victimised if you report something. This means that your job and opportunities for future promotion or training shouldn't be put at risk because you've raised a real concern, as long as you do this in the proper way.

If you're instructed to cover up a wrongdoing, the person who tells you to do this is committing a disciplinary offence. If you're told not to raise or follow up any concern, even by a person in authority such as a manager, you shouldn't agree to stay silent. You should report the matter following this guidance.

9. We will respect your confidentiality as far as we can but there are times when we cannot guarantee this, for example, where if the whistleblowing relates to a criminal offence or if there are child protection or adult safeguarding issues. You must say straight away if you do not want anyone else to know it was you who raised the concern.
10. You will not have a say in how your concern is dealt with. The Council (or the prescribed person) can keep you informed about the action they've taken, but they cannot give you much detail if they have to keep the confidence of other people.

11. If we proceed to a formal investigation, we may require you to give evidence along with other workers and witnesses; we are, in some circumstances, able to do this without disclosing the identity of the whistleblower. A statement from you may also be required as part of criminal or disciplinary proceedings – this depends on the nature of the concern.
12. If you ask us to treat the matter in confidence, we will do our utmost to respect your request however, it is not possible to guarantee confidentiality. We will attempt to ensure the whistleblower's identity is not disclosed to third parties. If the information you provide includes personal information about another person, then that person may be entitled to access it under subject access provisions of the Data Protection Act. The whistleblower's identity will not be disclosed unless the law allows or compels us to do so. If we are in a position where we cannot maintain confidentiality and so have to make disclosures, we will discuss the matter with you first.

If your whistleblowing disclosure results in an internal investigation and you provide a witness statement under that process, your statement may be used for disciplinary purposes. This means your statement may be given to the subject as part of a disciplinary hearing. A worker subject to the disciplinary process can also ask to see personal information held about them at any time under the subject access provisions of the Data Protection Act – this may include information within your statement. If it is possible to provide access to personal information within your statement without revealing any information about you, we will do so.

If your statement is not required for disciplinary purposes, it will be:

- held confidentially on our case file (until the case file is destroyed after 7 years)
- released only with your consent or a Police / Court Order

The Council:

- does not expect you to give us your consent – this is your decision alone – but we are required by law to ask you
- does not need a reason should you choose to refuse the request

If you find yourself the subject of a whistleblowing disclosure and a decision is made to investigate, the Council will follow the appropriate employment procedure: dignity at work, grievance or disciplinary. This means you will have all the rights contained in that procedure, such as, the opportunity to respond to the allegation and representation at the investigatory interview.

It may be that our investigations do not confirm your allegation. We take all concerns seriously and can assure you that no action will be taken against you if you have raised a concern in the genuine belief that it is, or may be, true

### **Anonymous allegations**

13. We do not encourage anonymous reporting as the concerns are more difficult to investigate and are generally less powerful. We would like you to put your name to the allegations whenever possible and remind you of the protection we can provide if we know who you are.

14. Anonymous whistleblowing referrals will be considered at the discretion of the officers handling the concern.

### **Untrue/false allegations**

15. If we find that you have maliciously made a false allegation, we will take action against you, and you will not be eligible for protection under the law.

### **How to raise a concern**

16. If a worker is not sure whether or not to raise a concern through this policy, they should discuss the issue with their line manager or Human Resources, or one of the reporting officers below.

We encourage you initially to raise your concerns internally. Make it clear that you are raising your concerns under the Council's whistleblowing arrangements. Any matter raised will be investigated thoroughly, promptly, and confidentially, and we will provide feedback on actions taken.

Before you make any complaint, make sure that you follow the proper procedures, for example, filling in incident forms where necessary. In any case, write down the full details of the incident and keep a copy.

The law doesn't say you have to have hard evidence, although any information that you have would be useful. However, you must not start any fact finding or investigations yourself.

### **You can report the matter to the following people (or discuss if you are in any doubt about what you should do):**

If you are a worker/employee you can report to the following Council officers:

Audit Manager  
01522 873321  
Email: [amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk)

Human Resources Manager  
01522 873856  
Email: [claire.burroughs@lincoln.gov.uk](mailto:claire.burroughs@lincoln.gov.uk)

Chief Financial Officer  
01522 873258  
Email: [jaclyn.gibson@lincoln.gov.uk](mailto:jaclyn.gibson@lincoln.gov.uk)

You should also consider telling your line manager (service manager) so they are aware.

You should declare whether you have a personal interest in the issue at the outset. If your concern falls more properly within grievance or other policies, you will be advised.



You can also use the City of Lincoln's confidential PO Box or email address

Write to:  
City of Lincoln Council  
PO Box 747  
Lincoln

Email: [whistleblowing@lincoln.gov.uk](mailto:whistleblowing@lincoln.gov.uk)

If you are not a Council worker you can contact the Council's confidential freephone whistleblowing number on **0800 0853716**.

17. The Investigations Team, who report directly to the Head of Internal Audit & Risk Management at Lincolnshire County Council, operate this dedicated reporting line. If you call this number you can leave a message on the answer phone which is located in a secure area. This is a shared whistleblowing number used by all Lincolnshire Councils under a partnership arrangement.
18. Concerns are better submitted in writing with information on background names, copies of any documents, dates and places (where possible).

You can email: [whistleblowing@lincolnshire.gov.uk](mailto:whistleblowing@lincolnshire.gov.uk)

You can write to:  
Lincolnshire local authorities  
PO Box 640  
Lincoln  
LN1 1WF

Council workers may also use these reporting lines if they wish.

### **Safeguarding Children and Vulnerable Adults**

19. If your concerns relate to safeguarding children and vulnerable adults please see the Safeguarding section on City People? and the Council's website (Safeguarding children and adults) and report accordingly.

### **Representation**

20. The whistleblower may take advice, for example from their trade union and / or professional organisation, or legal adviser, in respect of their concerns before or after it is raised. However, care is needed to ensure that this will not result in a breach of confidentiality or the disclosure of exempt information.
21. The whistleblower will be allowed to be accompanied to any meeting in respect of the concern, for example by a trade union representative, and/or professional body provided that they are not connected to any person under investigation. The Council has the right to expect any person accompanying or advising the complainant to maintain the confidentiality of the case.

22. Staff can also invite their trade union representative or a work colleague to raise a concern on their behalf.

### **How we will respond**

23. Our response and the investigation route will depend on the nature of the concern raised and may be:

- advice only
- resolved by agreed action without the need for investigation
- investigated internally (by management, Investigations Team or other independent investigators)
- referred to the relevant safeguarding team (child protection or vulnerable adults)
- referred to the Police, if a criminal matter
- referred to the external auditor
- the subject of an independent inquiry

The officer receiving the whistleblowing allegation will notify the Audit Manager to include the disclosure on the central register.

24. We may carry out initial enquiries in order to protect individuals or workers and those accused of wrongdoing. We will use the results of these enquiries to decide whether a detailed investigation is needed and if so, what form it should take. If urgent action is required this will be taken before we start any investigation
25. We will acknowledge your whistleblowing disclosure within 5 working days. Within the next 10 working days we will write and explain how we propose to deal with the matter. The whistleblower will be:
- given an estimate of how long it will take to provide a final response
  - told if initial enquiries have been made
  - told if further investigation is required, and if not, why not (where appropriate)
  - given details of support mechanisms
  - advised of the investigating officer (where appropriate)
  - advised how we will inform you of progress
26. The amount of contact between you and the Officer considering your whistleblowing disclosure will depend on the nature of the concerns raised. For example, if further investigation is required, the investigator may need to seek additional information from you.
27. If a meeting is necessary, this can be held off site if you prefer. If you are a worker you will have a right to be accompanied – this will be a union representative or work colleague (not involved in the area where the concern exists). If you are not a worker you may wish to bring a friend with you – a neutral venue can be arranged, where required.
28. We will help with any difficulties you may experience as a result of raising a concern – we will, for example, provide advice if you are required to give evidence for criminal or disciplinary proceedings. Sometimes whistleblowers have counter-allegations made against them. The Council has a duty to investigate any concerns that it

receives and that will apply in these circumstances. However this will not detract from the principles, as set out in this policy, which govern how the Council will respond to whistleblowers. The over-riding objective will be to establish the truth.

29. Records will be retained of all work carried out and actions taken to address the concerns raised by the whistleblower, including the investigator's case file, where relevant. All files will be held securely and confidentially
30. At the end of our investigations we will provide feedback to the whistleblower subject to our internal policies and procedures and legal constraints but we do recognise the importance of providing you with assurances that the matter has been dealt with properly.
31. Don't forget:
  - You should NOT investigate the matter yourself.
  - Do not alert those suspected of being involved.
  - Do not approach or accuse individuals.
  - Do not tell anyone other than the designated persons mentioned in this policy.
  - Do not undertake searches.
32. Any records and documents in your possession should be retained and kept securely to prevent alteration or loss.

### **Taking the matter further**

33. If you are not comfortable with the lines of reporting above or if you feel that your concerns have not been dealt with properly or received a satisfactory response, you can inform the Council's Monitoring Officer/City Solicitor, of your concern, her contact details are:

Telephone number: 01522 873323

Email: [carolyn.wheater@lincoln.gov.uk](mailto:carolyn.wheater@lincoln.gov.uk)

Postal address: City Solicitor, City of Lincoln Council, City Hall, Beaumont Fee, Lincoln, LN1 1DB.

You may also refer your concern about how the whistleblowing case has been dealt with to the Local Government Ombudsman – they generally do not take any action until the matter has been dealt with internally first. They can be contacted at:

The Local Government Ombudsman  
PO Box 4771  
Coventry, CV4 0EH  
Tel. 0300 061 0614 (Local Government Ombudsman – Advice Team)

34. There might be cases where your concerns are so serious, or involve the most senior officers in the Council, that you want to complain directly to an external body. You may feel that the internal investigation is not satisfactory.

Before you report a matter externally you should be sure that:

- the matter is serious and justifies bypassing internal procedures, or
- there is a reasonable belief that evidence might be destroyed, or
- you would be subject to detrimental treatment, or
- it is reasonable to disclose the information to the person concerned.

You should have reasonable suspicions that one or more of the following has occurred:

- that a criminal offence has been committed, is being committed or is likely to be committed
- that a person has failed, is failing or is likely to fail to comply with any legal obligation or statutory duty
- that a miscarriage of justice has occurred, is occurring or is likely to occur
- that the health or safety of any individual has been, is being or is likely to be endangered
- that the environment has been, is being or is likely to be damaged
- that information (relating to any of the above) is being or is likely to be deliberately concealed

The legislation sets out a number of bodies to which qualifying disclosures may be made. These include HM Revenue & Customs, the Health and Safety Executive, the Environment Agency, the Serious Fraud Office. A full list of “prescribed people and bodies” can be found on the government website – [www.gov.uk/whistleblowing](http://www.gov.uk/whistleblowing).

If you decide to blow the whistle to a prescribed person rather than your employer, you must make sure that you have chosen the correct person or body for your issue.

Disclosures relating to local authorities can be made to the external auditor of the relevant authority or the Comptroller and Auditor General.

You can contact the Council’s external auditors at:

Mazars  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

To make a disclosure to the Comptroller and Auditor General, please contact the National Audit Office (see Comptroller and Auditor General below).

Contact them about the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services.

The Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

Tel: 020 7798 7999

Website: [www.nao.org.uk/contact-us/whistleblowing-disclosures/](http://www.nao.org.uk/contact-us/whistleblowing-disclosures/)

35. A key source of information about whistle blowing is Protect which is an independent authority of public interest whistle blowing. Their contact details are

Their contact details are found at <https://www.protect-advice.org.uk>

36. You should only make disclosures to non-prescribed bodies (e.g. to the media, and non-prescribed regulators) if, in addition to the tests above, they are reasonable in all the circumstances and they meet one of the following three preconditions:

- you reasonably believe that you would be victimised if you raised the matter internally or with a prescribed regulator;
- you reasonably believe a cover-up is likely and there is no prescribed regulator; or
- you have already raised the matter internally or with a prescribed regulator.

End of policy

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**AUDIT COMMITTEE****15 NOVEMBER 2022**

**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 2021/22.

**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 continued impact of Covid-19 pandemic together with a decade of austerity measures and now with spiralling inflation, soaring energy prices and nationally agreed pay proposals and increases in service demand, all set to add significant cost pressures to Council's budgets, the external auditors now place greater emphasis on the going concern issue. Accordingly, they require each authority to prepare an assessment of its going concern status in conjunction with the 2021/22 Statement of Accounts.
- 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 2021/22 (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 2021/22 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 2021/22 by £0.009m. As at 31 March 2022 the Council held a General Fund Balance of £2.203m and held Earmarked Reserves totalling £12.668m. The Earmarked Reserves balance has decreased by £6.896m during the year, primarily as a result of the timing differences in the funding of Business Rate Reliefs from Central Government and the declaration of deficits on the Collection Fund. 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 2020/21 resulted in a net under spend of £0.019m on the HRA revenue budget. As at 31 March 2022 the Council held an HRA Balance of £1.025m 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 Section 151 Officer is satisfied that the Council's 2021/22 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 The Council's Projected Financial Position – Revenue Resources**

In March 2022, the Council agreed the budget for 2022/23 and MTFS 2022-2027. This included revised forecasts for the Council's expenditure and income streams based on a number of assumptions on the speed and scale of the ongoing national and local recovery from Covid19, as well as assumptions on key economic factors. At that point the Council was in a robust financial position with a balanced MTFS, based on delivering a remaining budget gap of £0.750m, in the General Fund, by 2024/25.

Although a savings target was included in the MTFS there was also, in the short term, a planned use of earmarked reserves. This use of earmarked reserves would allow the Council time to deliver the longer term, ongoing, reductions in the net cost base.

Despite this short-term use of reserves the MTFS still maintains a number of specific earmarked reserves including a business rates volatility reserve, an invest to save reserve and a Vision 2025 reserve to support investment in the Council's priorities.

The MTFS provided for a transfer of £0.061m to general balances from the General Fund in 2022/23 with contributions from balances of £0.073m in 2023/24 and £0.670m in 2024/25, reverting to contributions to balances of £0.072m in 2025/26 and £0.840m in 2026/27. These transfers would result in an estimated balance of £2.422m by 2026/27 which is in excess of the recommended prudent minimum level, giving management confidence that the Council will be able to manage the financial challenge in the medium term.

Having revisited the underlying assumptions and MTFS and having made a number of significant budget revisions to ensure the robustness of estimates, the Section 151 Officer made a formal statement in March 2022 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the MTFS.

#### **2.11 However, much has changed since the current MTFS was approved, with**

spiralling inflation, soaring energy prices and nationally agreed pay agreements set to add significant cost pressures to the Council's budgets. These are in the main part caused by national issues, beyond the Council's control, and are impacting all Councils. In addition, the current cost of living crisis has the potential to increase demand for the Council's services by those who rely on the safety net provided by local government. These unforeseen and unavoidable pressures have seriously impacted the assumptions that underpin the MTFS.

As a result of these cost pressures the Council is currently forecasting a budget shortfall of £0.913m on the General Fund and £0.173m on the HRA, for 2022/23. Whilst a number of measures are being implemented in order to mitigate these budget shortfalls, it is likely that in order to maintain a balanced budget for the year that there will need to be an additional draw on earmarked reserves and general balances.

Beyond 2022/23, based on current financial planning assumptions it is estimated that the Council will need to make reductions in the annual net cost base of the General Fund of £2.75m. This is a significant target for the Council to achieve, particularly in light of the annual revenue reductions of £10m that have been delivered over the past decade. The Council will ultimately have to make some difficult decisions over the next 12 months as it prioritises which services it can afford to continue to deliver, doing so in the midst of a cost of living crisis.

In terms of the HRA, it too is facing significant financial pressures of c£1.5m p.a. Key to the financial sustainability of the HRA is the level of annual rent increases. Although rent increases are, under Government Rent Policy, increased in line with CPI+1%, this year the Government are consulting on a potential cap to the maximum level of increases. The outcome of this consultation is still pending and will determine whether the HRA can remain a sustainable budget position or whether reductions in the cost base will also be required.

The Council has therefore commenced work on a financial recovery programme that includes reviews of fees and charges, reserves, recruitment and retention, procurement and contracts, capital financing, grants, buildings/estates and service reductions/withdrawal. Alongside the development of these options, the Council will continue to lobby the Government and call upon them to increase local government funding in recognition of the unprecedented and unavoidable pressures that local government are facing.

Performance against the 2022/23 budget is regularly reported to Members, an update on the medium term financial forecast has been reported to Members, and the MTFS will be further updated as part of the 2023/24 budget preparations. At this stage, based on the development of the financial recovery programme, the Section 151 Officer is 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 2022**

The Council's net assets amounted to £274.160m and Usable Reserves totalled £50.094m. 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 2022 the Council has long-term borrowing commitments of £111.962m and held £49.878m in short term investments. 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 are fit for purpose and 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.

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 2021/22 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.

## 3. **Organisational Impacts**

3.1 Finance – The financial implications are as set out in this report.

3.2 Legal – There are no specific legal implications arising from this report.

## 4. **Risk Implications**

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

## 5. **Recommendation**

5.1 The Audit Committee accepts the outcome of the assessment of the Councils going concern status for the purpose of preparing the Statement of Accounts 2021/22.

<b>Key Decision</b>	No
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<b>Key Decision Reference No.</b>	N/A
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<b>Do the Exempt Information Categories</b>	No
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**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 01522 873361

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**AUDIT COMMITTEE**

**15 NOVEMBER 2022**

**SUBJECT: STATEMENT OF ACCOUNTS 2021/22**

**REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK**

**LEAD OFFICER: COLLEEN WARREN, FINANCIAL SERVICES MANAGER**

**1. Purpose of Report**

- 1.1 To present, for information, the final Statement of Accounts for the financial year ending 31<sup>st</sup> March 2022, following substantial completion of the audit opinion.

**2. Executive Summary**

- 2.1 The Statement of Accounts (SOA) for 2021/22 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 2021/22 with an audit opinion and certificate by no later than 30<sup>th</sup> September 2022. This date has been extended, for a period of 5-years, from the ordinary deadline of 31<sup>st</sup> July in response to a recommendation made by Sir Tony Redmond in his independent report into the effectiveness of external audit and transparency of financial reporting in local authorities and is intended to reduce the pressure on authorities (and auditors) to comply with legal deadlines. However, the Accounts and Audit (Amendment) Regulations 2022 further amended the audit deadline for the 2021/22 Statement of Accounts 30<sup>th</sup> November 2022.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2021/22 are still subject to final verification by external audit. The audit of the accounts is being finalised by Mazars, who commenced the audit in July. The majority of the audit work has now been completed by Mazars, however should any material changes be necessary as a result of this final external work, these will be reported back to a meeting of this Committee by the Chief Finance Officer.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from Mazars, this ran from 1st August until 12<sup>th</sup> August 2022 and the External Auditor was available to answer questions during that period, however no questions were received.
- 2.5 During the completion of the external audit no misstatements above the threshold level of £49k were found.
- 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 2021/22 was substantial (green) and is in line with our Code of Corporate Governance. However, there is one significant issue that has been identified. This is in respect of IT Disaster Recovery, an issue which was included in the previous year's AGS. Although progress has been made over the last twelve months it was felt that this issue should remain on the list of significant issues, and progress against the actions will be regularly reported by management to the Audit Committee. There were no new significant issues identified in 2021/22.

### **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 31<sup>st</sup> May each year. However, amended Regulations in 2021 have relaxed to this date until 31<sup>st</sup> July for the financial years 2020/21 and 2021/22. The Accounts were 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, normally by no later than 31<sup>st</sup> July each year, in line with the amended Regulations, however, this date has also been relaxed to 30<sup>th</sup> November 2022. The timescales involved with the approval of the Statement of Accounts for 2021/22 are subject to confirmation:

a) Report draft accounts to Audit Committee	19 <sup>th</sup> Jul 2022
b) Report to Audit Committee	15 <sup>th</sup> Nov 2022
c) Report to the Executive	21 <sup>st</sup> Nov 2022
d) Approval by Council	29 <sup>th</sup> Nov 2022

3.2 In order to ensure that the current statutory deadline of 30<sup>th</sup> November is met Mazars must complete their audit and issue the relevant audit opinion. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts will be presented for approval. The Audit Committee will also receive the Audit Opinion from Mazars at that meeting.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. 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**



25) – 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 55)) 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 £18.924m in the CIES to the outturn position of a decrease in General Fund Balances of £0.465m and a decrease on HRA balances of £0.049m as reported in the Financial Outturn report (Executive 20<sup>th</sup> June 2022).

	£m	£m
<b>Net (surplus)/deficit on the Provision of Services</b>		<b>(18.924)</b>

*Of which:*

<b>General Fund</b>	£m	£m
Net (surplus)/deficit on the Provision of Services		3.412
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	(2.888)	
Revenue expenditure funded from capital under Statute	(1.677)	
Direct Revenue financing of capital expenditure	0.194	
Gain/loss on the sale of non-current assets	0.03	
Contribution to/from the pensions reserve	(3.284)	
Debt repayment and premiums & discounts on debt	1.444	
Short-term compensated absences	0.064	
Contribution to Government's Housing Capital Receipts Pool	(0.529)	
Capital grants & contributions unapplied credited to CI&ES	3.539	
Adjustment for Collection Fund	7.558	
Adjustment for Financial Instruments	0.002	
Transfer to/from Earmarked reserves	(7.400)	
<b>Total Adjustments</b>		<b>(2.947)</b>
<b>(Increase)/decrease in General Fund Balances</b>		<b>0.465</b>

*Of which:*

<b>HRA</b>	£m	£m
Net (surplus)/deficit on the Provision of Services		(22,336)
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	16.071	
Direct Revenue financing of capital expenditure	0.021	
Gain/loss on the sale of non-current assets	0.904	
Contribution to/from the pensions reserve	(1.697)	

Short-term compensated absences	0.037	
Capital grants & contributions unapplied credited to CI&ES	4.353	
Transfer to/from the HRA	2.365	
Transfer to/from Earmarked reserves	0.331	
<b>Total Adjustments</b>		<b>22.385</b>
<b>(Increase)/decrease in HRA Balances</b>		<b>0.049</b>
<b>Overall (Increase)/decrease in Balances</b>		<b>(0.514)</b>

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 2021/22, in comparison to the revised budget for the year. As previously reported, there was a projected underspend against the General Fund budget of £0.057m at quarter 3, this underspend has decreased and provisional outturn is now an overall budget surplus of £0.009m.

4.1.3 The Housing Revenue Account is reporting a provisional underspend against the revised budget of £0.019m. Allowing for this adjustment, HRA balances were £1.025m and the HRA Repairs Accounts balance was £1.354m as at 31<sup>st</sup> March 2022.

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 Performance Scrutiny Committee and Executive 16th June 2022 and 20<sup>th</sup> June 2022 respectively.

## 4.2 The Balance Sheet (SOA *page 26*)

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 31<sup>st</sup> March 2022 are:

4.2.2 **General Balances** – General balances have decreased by £0.514m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.668	2.203	(0.465)
HRA balances	1.074	1.025	(0.049)
HRS	0	0	0
<b>Total</b>	<b>3.742</b>	<b>3.228</b>	<b>(0.514)</b>

4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have decreased by £7.068m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	26.043	18.975	(7.068)

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2021/22 Provisional outturn to the Executive 23<sup>rd</sup> June 2022 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA page 64). The most significant use of reserves relates to Business Rate Reliefs awarded in response to Covid19. Funding of £7.8m was utilised from the Business Rates Volatility Reserve, which had been received from the Government in 20/21 to finance the Collection Fund deficits which had occurred due to the Reliefs awarded in 21/22.

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 £76.19m exceed current liabilities of £58.862m by a ratio of 1.3:1, which represents a decrease from the previous year's ratio of 1.49:1. This is due to an increase in short-term borrowing and short-term creditors.

4.2.5 **Debtors** – debtors have decreased by £3.473m to £24.916m. The decrease is mainly due to decreases in balances on the Central Government and County Council shares of the Council Tax and Business Rates Collection Fund deficits (£4.1m). These deficits were higher in 20/21 due to the level of Business Rate Reliefs awarded in comparison to the levels awarded in 21/22.

4.2.6 **Creditors** – have increased by £10.115m to £43.929m. This is mainly due to the receipt of the CT energy rebate grant and the Townsfund Grant paid in advance of being awarded in 2022/23.

### 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 £25m (9.4%) to £455m between 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022 (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 31<sup>st</sup> March. 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 21/22 have seen an **overall increase in value of £15.5m**, 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 £15.5m net upwards movements due to revaluation gains and losses in 21/22, there were:

- **£14.7m 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 (£16.071m).
- **£0.815m 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 (£1.8m) an increase in the council's land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £20.218m.** The main areas of expenditure include £11.4m spent on the Council's new build and acquisition programme, £3.8m improving Council dwellings including re-roofing, kitchens and landscaping, £2.5m on refurbishing the crematorium and £0.512m improving our leisure facilities, parks and open spaces. To pay for this investment, the Council has used £9.8m of capital grants and contributions, £1.34m of capital receipts, £3.84m of the Major Repairs Reserve, £6.68m of unsupported borrowing, and £0.215m 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 2021/22 total depreciation was £9.251m** (of which £1.9m was charged for non-HRA dwellings and was replaced in the MiRS with £1.5m for the repayment of debt and £7.4m depreciation was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £2.340m in the Balance Sheet were disposed** of in 2021/22. This included 55 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 104*). 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 £5.233m reflecting the retirement benefits earned during 2021/22 and to be funded in the future. This includes £7.803m current service costs and a net interest cost on the defined benefit obligations of £2.077m. 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 £4.899m.
- **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 2021/22 the net liability has decreased by £21.190m to £84.949m.

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 £84.949m 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 94) 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 Towards Financial Sustainability 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 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022, the Council's total borrowing increased to £125.18m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31<sup>st</sup> March 2022).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £13.215m and long-term borrowing of £111.962m.
- The average rate of interest payable on borrowing was 3.02% which is a slight decrease on 2020/21 (3.25%) and due to the new low rate shorter-term loans taken being.
- The Comprehensive Income and Expenditure Statement for 2021/22 includes £3.797m interest payable on borrowing (excluding leases) of which £1.372m relates to the General Fund and £2.425m to the HRA.

The maturity profile of the outstanding borrowing as at 31<sup>st</sup> March 2022 is as follows:

Within	£m	% of Total Debt
1 year	13.2	10.55%
1 – 2 years	2.5	2.00%
2 – 5 years	2.897	2.31%
5 -10 years	11.462	9.16%
10 years and over	95.103	75.98%
<b>Total</b>	<b>125.177</b>	<b>100.00%</b>

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 31<sup>st</sup> March 2022, total investments had increased by £15.95m from £33.9m to £49.85m compared to the previous year end.
- Average investment balances during 2021/22 were £44.7m, compared to £35.8m in 2021/21.
- The average interest rate received on investments in 2021/22 was 0.19% (a decrease of 0.01% on the average rate achieved in 2020/21 due to the low yield available on balances). This rate is no longer compared to the LIBID rate which ceased in December 2021.

## **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 2025 and Strategic Priorities during the financial year 2021/22.
- 5.2 Communication - The final Statement of Accounts will be published on the Council website by 30<sup>th</sup> November 2022, in addition the 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 (Amendment) Regulations 2022 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 30<sup>th</sup> November 2022.

### **6.3 Equality, Diversity and Human Rights**

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

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

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

Due to the nature of the report, no specific Equality Impact Analysis is required.

## **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 asked to note the final Statement of Accounts 2021/22, noting that the external audit is substantially complete.
- 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 changes to the Chair of the 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 2021-2026  
Financial Performance - Outturn 2021/22

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



## SUMMARY ACCOUNTS 2021/22

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.

<b>NET EXPENDITURE</b>	<b>£'000</b>
Chief Executive	7,430
Housing & Regeneration	869
Communities & Environment	10,682
Major Developments	896
Corporate	(876)
<b>Net Cost of Services</b>	<b>19,001</b>
Other Operating Expenditure	1,371
Taxation and Non-Specific Grant Income	(16,960)
<b>Surplus on Provision of Services</b>	<b>3,412</b>
<b>FINANCED BY:</b>	<b>£'000</b>
Central Government Grant	23
Council Tax	7,047
NNDR Business Rates	5,351
Non ring-fenced Government Grants	1,328
Capital Grants and Contributions	7,892
<b>Surplus on Provision of Services</b>	<b>3,412</b>
Statutory Adjustments	(3,877)
General Fund balance brought forward	(2,668)
<b>General Fund Balance carried forward</b>	<b>(2,203)</b>

The Council's total gross spend on services for the year was approximately £71.507M. Council Tax equated to 9.8% of all income received by the Council. The City Council received £6.88 million of Council Tax in 2021/22.

## 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 2022**

<b>Assets and Liabilities</b>	<b>£'000</b>
Fixed Assets (Land & Buildings)	456,969
Stock (stores of materials)	104
Debtors (people who owe money to the Council)	25,640
Investments (value of money invested)	50,694
Cash at bank	0
Current Liabilities (council debts payable within 1 year)	(58,964)
Long-Term Liabilities (Debts payable after 1 year)	(199,099)
<b>Total Net Assets</b>	<b>275,343</b>
<b>Financed By:</b>	<b>£'000</b>
Usable Reserves	50,094
Unusable Reserves	225,249
<b>Total Reserves and Balances</b>	<b>275,343</b>

At the end of the year the council had £0.816m worth of long-term investments and £49.9m of short-term investments. At the end of the year the council had £14.9m of short-term borrowing and £111.9m of long-term borrowing.

## Cash Flow Statement

This table shows the flow of cash during the year:

<b>CASH FLOW STATEMENT</b>	<b>£'000</b>
Cash as at 1 April 2021	563
Net Cash flow from operating activities	11,044
Net Cash flow from investing activities	(24,808)
Net cash flow from financing activities	13,098
<b>Cash as at 31 March 2022</b>	<b>103</b>

## 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 7,806 homes, consisting of the following types:

Low-Rise Flats	2,350
Medium Rise Flats	1,049
High Rise Flats	294
Houses/Bungalows	4,104
<b>Total Council Dwellings</b>	<b>7,806</b>

During the year 33 properties were sold under the Right to Buy scheme.

This table provides a summary of the Housing Revenue Account for 2021/22:

<b>Income</b>	<b>£'000</b>
Council house rents (gross)	(28,700)
Other Income	(1,380)
<b>Expenditure</b>	<b>£'000</b>
Repairs and maintenance	9,035
Supervision and management	7,803
Capital financing costs	(8,363)
Corporate costs	(731)
<b>(Surplus)/Deficit for year</b>	<b>(22,336)</b>
Statutory Adjustments	22,054
Trf to/from Reserves	331
Increase/(Decrease in HRA)	(49)
HRA Balance brought forward	(1,075)
<b>HRA balance carried forward</b>	<b>(1,025)</b>

## 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 2021/22 the Council's capital expenditure totalled £21.895 million.

**Below is a breakdown of the capital expenditure for 2021/22:**

	£'000
Works to the Housing Stock	3,521
Housing Development and Acquisition	11,423
Crematoria Improvements	2,465
Improvement and Renovation Grants	620
Central Market	617
Boultham Park Lake Restoration	384
Safer Streets App	270
Greyfriars	118
Western Growth Corridor	344
HAZ schemes	634
Towns Fund	837
Other	662
<b>Total Capital Spend</b>	<b>21,895</b>

	£'000
General Fund Investment Programme	6,631
Housing Investment Programme	15,264
<b>Total Capital Spend</b>	<b>21,895</b>

# STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022



# CONTENTS

	PAGE
Narrative Report	3
Council Approval	21
Statement of Responsibilities for the Statement of Accounts	22
Movement in Reserves Statement	23
Comprehensive Income and Expenditure Statement	25
Balance Sheet	26
Cash Flow Statement	27
Index of Notes	28
Notes to the Accounts	29
Housing Revenue Account Income and Expenditure Statement	115
Movement on the Housing Revenue Account Statement	116
Notes to the Housing Revenue Account	117
Collection Fund	123
Notes to the Collection Fund	124
Independent Audit Opinion and Certificate	128
Annual Governance Statement	129
Glossary	140



**An introduction to the City of Lincoln's 2021/22 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 2021/22 and the financial position at 31 March 2022. The Accounts present expenditure and income incurred by the Council in the financial year 2021/22 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 2021/22 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 2022 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 2021/22**

The City of Lincoln Council is a high performing and innovative organisation, focussed on providing quality services and delivering outcomes that matter. Our Vision 2025 is an ambitious strategic plan that is helping to transform both the Council and the City through our five strategic priorities.

Unfortunately, due to the unprecedented global pandemic many Vision 2025 projects had to be put on hold in 2020/21, as we changed our focus to addressing the direct impacts of the Covid19 and ensuring our residents and businesses received the support they needed during such a difficult time.



The financial year 2021/22 saw a continuation of the pandemic and the many challenges it brought. The Council had to continue to adapt to evolving events as the country moved through its roadmap of recovery and the full lifting of restrictions. It required flexibility and adaptability to respond to ever changing national and local circumstances. The response to Covid19 continued to be at the forefront of all Council activities for the whole of the financial year.

Whilst within the last year we have seen the full lifting of national restrictions, and the recommencement of services and a return to more normal working conditions, the pandemic has fundamentally affected the way in which the Council works and will have long term and societal impacts. An event of this magnitude has undoubtedly meant that we have to consider how our business and services should operate in the future and the impact of the changing needs and demands of our residents, businesses and customers, on those services.

A first step in the process was the interim review of our Vision 2025, to ensure that our planned actions would meet our residents, businesses and customers emerging needs. Further details are set out under 'Future Plans' below.

The dramatic changes brought about by Covid19 have though taken its toll on the financial resilience of the Council as our income streams plummeted and additional expenditure needed to be incurred to ensure our critical services functioned and we were able to respond to consequences of the pandemic.

Whilst, during 2020/21, an extensive financial support package was provided by the Government for all local authorities (which included a sales, fees and charges income compensation scheme, un-ringfenced grant allocations and a local tax income guarantee scheme,) the financial support provided in 2021/22 only covered the 3-month period April -June 2021. Beyond this the financial impacts of Covid19 have been absorbed by the Council.

Despite the lifting of national restrictions, these financial impacts still continued to detrimentally affect the Council in 2021/22, with income streams remaining at depressed levels and budget pressures arising from demand for services, the availability of goods and services and escalating costs.

Coupled with the direct impacts of Covid19, 2021/22 also bought additional financial challenges for the Council through the wider economic impacts of the pandemic and the emerging consequences of Brexit and the war in the Ukraine. This state of flux in the economy has led to spiralling inflation, labour shortages, supply chain issues and the greatest cost of living crisis of a generation.

In response to this challenging financial environment, we have continued to embrace a forward thinking and ambitious 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, 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 £10m over the last decade, a significant reduction in comparison to the overall net expenditure budget.

We have also maintained our strong financial discipline and for both the General Fund and the Housing Revenue Account the financial outturn for 2021/22 was in line with budgeted expectations, with only minor variances in the planned contributions to/from balances. The General Fund was also able to deliver, and overachieve, against its Towards Financial Sustainability Programme savings target.

Although both the General Fund and Housing Revenue Account have maintained balanced budget positions in 2021/22 this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget challenges have been addressed.

We will continue to face significant financial challenges as we move into 2022/23, but we will build on our successful financial management to date, with the aim of maintaining a balanced and sustainable financial position, whilst ensuring that our resources are directed towards the priority areas in our relaunched Vision 2025.

## **Performance**

Our strategic plan known as Vision 2025, covers the period April 2020 to March 2025. This shared vision for the city is based on a key vision statement "Together let's deliver Lincoln's ambitious future" and includes five strategic priority areas.

Whilst we had to take the decision not to commence new projects as an immediate response to the pandemic situation during 2020/21, within the past twelve months we have started to see services resume once again as we began to learn to live with the ongoing impacts of the pandemic. With the recommencement of services and the return to more normal working conditions, this provided us with the opportunity to turn our attention to restarting the process of delivering our strategic priorities.

Whilst delivery has been challenging, listed below are some of our key achievements under the Vision 2025 work programme delivered during the past 12 months -

- The Boultham Park and Boultham Park lake restoration projects have been completed, revitalising this great open space facility for all to enjoy, and importantly promoting and encourage our residents to get active and live healthy.
- Work to develop a new extra care facility at De Wint Court has been completed, providing a great new facility to meet the changing care needs of individuals through the provision of on-site care support.
- Completed a range refurbishment work to Lincoln's Crematorium, including the construction of a new car park, road resurfacing outside the chapel and associated drainage works, together with the installation of two new cremators. In addition, a second chapel has now been built, which doubles the crematorium's capacity, enabling more tailored services of varying sizes to be offered on site. Improvement work to the roof of the Crematorium will commence shortly.
- Plans for the development of the Western Growth Corridor in the west of the city have been approved. The development will supply the city with 3,200 much needed new homes, a leisure village, industrial park and transport infrastructure.
- Working with partners we have made excellent progress in the Sincil Bank / Cornhill area with much improved public realm.

- We have commenced work on the renovation and repurposing of Lincoln Central Market, which will further support the public realm improvements already delivered in the Cornhill area.
- We have continued to raise awareness of Lincoln Community Lottery as a fund-raising tool and have so far raised over £150k for good causes located in and around the city.
- We now have over 100 local organisations signed up and accredited to the Council's Lincoln Social Responsibility Charter, each going above and beyond to support their employees and the local community.
- The Council has celebrated its successful second year of the High Street Heritage Action Zones programme, which has so far seen several key projects delivered aimed at preserving the heritage of the city centre and the surrounding area. Activity being delivered as part of this programme includes:
  - An ambitious cultural programme aimed at bringing culture to the high street and celebrating the unique and rich history and diversity of the area through vibrant and engaging open-air activities and events
  - Grants to repair and convert key historic buildings in the area
  - A community programme of events and activities for people to get involved in their local heritage, work together and learn new skills
  - Property improvement grants to restore and reinstate historic shopfronts and other architectural elements to enhance the unique character and appearance of the area
- Development of a residential scheme on land off Rookery Lane, which will deliver a mix of affordable two, three, and four-bedroom houses, two-bedroom bungalows and one-bedroom flats has now commenced.

In terms of service delivery, performance has, and will continue to be, affected during 2021/22. Clear focus and drive are put into returning to the new business as usual but as with every new obstacle, challenge and change, this in itself is an ever-changing state of fluctuation. There is however, still clear evidence of performance stabilisation and improvement in service delivery which will add value in the coming months and years. Some key points to note include:

- Clear communication on how residents and businesses could access help and support has continued to be delivered on our website and social media. We have also continued to use video messaging to keep the information being communicated fresh and interesting
- Our Revenues and Benefits Team has continued to experience unprecedented levels of demand. However, the team has continued to provide a significant level of support to our service users.
- We have supported the delivery of a range of Government funded schemes to assist residents and business through Covid19, these include:
  - Test and Trace Support Payments
  - Household Support Fund
  - Council Tax Hardship Fund
  - Business Rate Reliefs
  - Business Support Grants
  - Covid Additional Relief Fund
- The hard work of our Welfare Support teams has ensured our residents have continued to receive essential welfare and benefits advice
- Our housing teams have continued to work hard throughout the year repairing void properties, dealing with maintenance issues, and collecting rent

- Customer Services has continued to maintain a safe way of working with those in most need of face-to-face help, whilst managing even more telephone calls than usual
- Following securing EU Welcome Back Funding, the Council and partners successfully delivered a programme of activity aimed at encouraging visitors and residents back into the city centre. Activities have included environmental improvements, initiatives to improve safety and the delivery of city centre events.
- To assist and support Lincoln's businesses in their recovery following the impacts of the pandemic, the Council's Corporate Health & Safety Team has continued to assist businesses to ensure they provide a safe environment for their employees and service users. This work has included providing advice on producing risk assessments, safe working practices and the determination of suitable PPE
- The Council has continued to be a provider of apprenticeships in the city across the areas of Business Administration, Customer Service and Management. In addition, the Council continues to provide a successful craft apprenticeship scheme based at Hamilton House



## **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 2021/22, the approved net expenditure budget for General Fund services was £978,410 including a planned contribution from reserves of £477,240.

Following the unprecedented impact of Covid19 on the Council's finances in 2020/21, budgets for 2021/22 were revised as part of the MTFS 2021-26 based on a number of assumptions around the speed and extent of the national and local recoveries particularly in relation to income budgets. Whilst in the majority of cases these assumptions reflect the actual position achieved, and there in fact a number of areas that have exceeded assumptions, there are still some areas where the rate of recovery is impacting adversely on the Council's finances. In addition, the impact of

Covid19 is still being felt throughout the authority in relation to service delivery both in terms of backlogs of outstanding work but also due to the current economic operating conditions in terms of supply chain issues, escalating costs and availability of labour etc, whilst these issues are being addressed, they are likely to continue in the medium term and impact on the Council's finances. Coupled with the current economic conditions of spiralling inflation, the Council will continue to face a number of significant financial challenges in 2022/23 and must ensure that its general balances and reserves are sufficient to respond to such pressures.

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

	<b>ACTUAL 2021/22 £'000</b>	<b>REVISED BUDGET 2021/22 £'000</b>	<b>VARIANCE 2021/22 £'000</b>
Chief Executive and Town Clerk	5,067	5,134	(67)
Directorate of Housing & Regeneration	395	445	(49)
Directorate of Communities & Environment	5,425	5,116	310
Directorate of Major Developments	155	195	(40)
Corporate			
<b>Net Operational Expenditure</b>	<b>11,043</b>	<b>10,889</b>	<b>154</b>
Specific Grants	(1,328)	(1,320)	(8)
Savings Target	0	28	(28)
Earmarked Reserves	(6,896)	(6,896)	0
Insurance Reserve	(504)	(478)	(26)
Capital Accounting Adjustment	3,013	3,180	(167)
Contingencies	0	(67)	(67)
<b>Total Expenditure</b>	<b>5,328</b>	<b>5,337</b>	<b>(9)</b>
<b>Contribution To/(From) General Balances</b>	<b>(468)</b>	<b>(477)</b>	<b>9</b>
<b>Total Net Budget</b>	<b>4,859</b>	<b>4,859</b>	<b>0</b>
Business Rates -			
Retained Business Rates Income	(17,664)	(17,649)	(15)
Tariff	13,094	13,094	0
Section 31 grant	(5,211)	(5,166)	(45)
Levy Payment	758	698	60
Revenue Support Grant	(23)	(23)	0
Council Tax	(6,956)	(6,956)	0
Council Tax Section 31 Grant	0	0	0
Council Tax Surplus	76	76	0
NNDR Deficit	11,066	11,066	0
<b>Total Resources</b>	<b>(4,859)</b>	<b>(4,859)</b>	<b>0</b>



While total expenditure was £5.328m (£0.009m less than budget) this is offset by a £0.009m reduction in the actual contribution from general balances. The actual contribution from general balances was £0.468m compared to the approved budget of £0.477m.

Included within the General Fund Budget was an assumed savings target of £0.850m, which were to be delivered in 2021/22 as part of the Council's Towards Financial Sustainability Programme. Despite the pressures of Covid19, this target was exceeded during 2021/22, with a total delivery of £0.878m. The programme continues to be successful and work continues in developing and delivering new projects as part of the programme to secure the additional savings required in 2022/23 and future years.

Although the General Fund maintained a balanced budget position in 2021/22 this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget challenges have been addressed.

As at 31 March 2021, the Council held £14.871m General Fund revenue reserves, comprising £12,668m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.203m non-earmarked general reserves. General Balances are currently above the prudently assessed minimum requirements in the Council's Medium-Term Financial Strategy, which will provide additional resilience for financial challenges it currently faces.



### **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 2021/21, the approved net operating budget for the Housing Revenue Account was a deficit of £0.015m. Actual net expenditure for 2021/22 was £0.019m surplus, resulting in a £0.034m variance against the budget.

Although the direct financial impacts of Covid19 have not been as detrimental for the Housing Revenue Account as it has been on the General Fund, the indirect impacts of the wider economic factors and service delivery implications have presented significant financial challenges to the Housing Revenue Account in 2021/22.

The impacts have been through:

- A lack of labour force in the Housing Repairs Service

- A shortage of contractors in the market place, resulting in higher prices
- An increase in void property numbers due to a backlog created during national restrictions
- A high demand for repairs works due to a backlog created during national restrictions
- Increased costs and shortages in the supply chains, materials, labour etc

Whilst a range of measures have been implemented in 2021/22 to ensure the Housing Revenue Account maintained a balanced budget position, these measures will continue to be monitored throughout 2022/23.

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

	<b>ACTUAL 2021/22 £'000</b>	<b>REVISED BUDGET 2021/22 £'000</b>	<b>VARIANCE 2021/22 £'000</b>
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,891	9,908	(1,017)
Supervision & Management	7,984	8,079	(95)
Provisions (including Bad Debt)	284	305	(21)
Other Expenditure	1	179	(178)
Capital Financing	7,423	6,735	688
<b>Sub Total</b>	<b>24,583</b>	<b>25,206</b>	<b>(623)</b>
<u>Add:</u>			
HRS – repatriation of surplus	428	0	428
Interest Payable & Similar Charges	2,425	2,650	(225)
<b>Total Expenditure</b>			
<u>Income</u>			
Rents & Service Charges	(29,314)	(29,753)	439
Other Income	(734)	(962)	228
Interest	(24)	(20)	(4)
<b>Net Expenditure</b>	<b>(2,636)</b>	<b>(2,879)</b>	<b>243</b>
<u>Less:</u>			
Capital Accounting Adjustment	0	0	0
Appropriation to/(from) Major Repairs Reserves	2,355	3,063	(708)
Appropriation to/(from) Pension Fund Liability	0	0	0
Appropriations to/(from) Earmarked Reserves	331	(115)	446
<b>Net HRA (Surplus)/Deficit</b>	<b>50</b>	<b>69</b>	<b>(19)</b>

As at 31 March 2022, the Council held £3.905m HRA revenue reserves, comprising £2.880m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.025m 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 £21.9m compared to the revised approved programme budget of £31m, representing an underspend of £9.1m against the profiled budget. The variance in 2021/22 is mostly due to the re-profiling of schemes within the general fund and housing programmes resulting from the delays in delivery of schemes due to the impacts of Covid19. The 2021/22 capital spending and funding position is summarised as follows:

	<b>ACTUAL 2021/22 £'000</b>	<b>BUDGET 2021/22 £'000</b>	<b>VARIANCE 2021/22 £'000</b>
<b>Capital Expenditure</b>			
General Fund	6,631	11,328	(4,697)
Housing Revenue	15,264	19,668	(4,404)
<b>Total Expenditure</b>	<b>21,895</b>	<b>30,996</b>	<b>(9,101)</b>
<b>Financed by:</b>			
Borrowing	6,677	6,950	(273)
Capital Receipts	1,340	1,778	(438)
Capital Grants and Contributions	9,821	13,831	(4,010)
Major Repairs Reserve	3,842	5,495	(1,653)
Revenue Contributions	215	2,942	(2,727)
<b>Total Financing</b>	<b>21,895</b>	<b>30,996</b>	<b>(9,101)</b>

Major Capital works carried out during 2021/22 are set out in the following table:

	<b>£'000</b>
<b>Housing</b>	
Decent Homes and improvements to Council dwellings	3,522
Council house schemes	11,422
Other major works to housing stock	320
<b>General Fund</b>	
Leisure Centre/Sports and Play Provision	100
Crematorium	2,464
Enhancements to corporate properties	154
Improvement and Renovation Grants	654
Boultham Park	412
Western Growth Corridor	420
Towns Fund Schemes	1,455
Other Schemes	972
<b>Total</b>	<b>21,895</b>



## 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 2021/2022 is provided below:

### Capital Receipts (Note 9)

The Council utilised £1.34m of capital receipts and received £2.67m of capital receipts in the year. The majority of 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 debt outstanding (long and short-term), (excluding loans of £0.03m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2022 was £125.2m.

<b>Total Borrowing Outstanding</b>			
<b>31/03/21</b>			<b>31/03/22</b>
<b>£'000</b>	<b>Source of loan</b>		<b>£'000</b>
91,887	Public Works Loan Board		94,177
31,000	Market and Other Long-Term Loans		31,000
561	Other (3% stock)		0
<b>123,448</b>	<b>Total</b>		<b>125,177</b>

Long and short-term borrowing of £10m was taken during 2021/22. Short-term borrowing of £5.6m and £2.7m of PWLB borrowing was repaid during 2021/22. This represents a net increase of £1.7m of borrowing since 31 March 2021. The Council remains under borrowed by £17.68m (i.e. the Council's actual borrowing is £17.68m less than its borrowing requirement at 31 March 2022).

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 2022/22 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 decrease in the estimated Pension Fund Reserve net liability over the 2021/22 year of £20.018m, down from £106.140m at 1 April 2021 to £86.122m at 31 March 2022. This decrease in the Pension Fund deficit resulted mainly from changes in financial assumptions following the latest actuarial report. 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 £86.122m 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%.

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**

Vision 2025 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

We are extremely pleased with what we have collectively delivered under Vision 2025 to date, however, due to the financial and resource impacts of the pandemic, in early 2021/22, it was clear we would need to review our strategic plan to ensure the priorities and supporting projects continued to meet the needs, aims and ambitions for our great city. We now face our biggest challenge to lead on, finance and support key practical and relevant interventions critical to the recovery of not only the council itself, but also Lincoln's economy, whilst ensuring we maintain a balanced financial position.

As part of this process, we launched a public consultation in 2021/22 to understand which activities resident and businesses felt were of the greatest priority to them. Following this review, it was agreed there were no changes required to the Vision, the five priorities or the aspirations under each priority – these still remain relevant. However, we will ensure promoting positive health for the city will be a key feature of these goals wherever possible. Our programmes have now been reviewed to include more activity around residents' health.

The Vision 2025 Interim Review document can be accessed using the following link - <https://www.lincoln.gov.uk/downloads/file/1213/vision-2025-3-year-addendum>



## General Fund

The financial challenges created by the impact of Covid19 and the current economic crisis on the General Fund, coming on top of a decade of austerity in local government, cannot be underestimated.

Alongside these threats to local income sources and escalating cost pressures, local government financing is still set for future significant reform. We continue to face uncertainty on a longer-term financial settlement for Local Government and whether and when each of the planned local government finance reforms will be implemented. These reforms, together, have the ability to fundamentally alter the course of the General Fund. Providing certainty on these issues would make a significant difference to the Council's financial planning and therefore the services we deliver.

Although there is a significant level of uncertainty about future funding, based on what was known, or could be reasonably assumed at the time of setting the 2022/3

budget, we continue to need to make further reductions in the net cost base of the General Fund. The additional resources in 2022/23, due to the delay in implementation of national reforms, has provided some financial capacity to lower the level of reductions required, but it does not alter the underlying need to reduce the net cost base by £1.5m by 2024/25 if the General Fund is to remain sustainable in the medium term.

In light of the current economic crisis, with escalating costs, utilities prices, contract prices and increased demands for services from customers experiencing the costs of living crisis, the impact on our medium term financial plans is now being assessed. This may require an increase in the level of savings required.

The current target of £1.5m is a significant target for the us to achieve, particularly in light of the annual revenue reductions of nearly £10m that have already been delivered. After a decade of delivering these efficiency savings it is much harder to extract such savings and many now being considered are to be delivered as part of longer-term transformational changes to the organisation.

The key mechanism for delivering this strategy is through our Towards Financial Sustainability Programme which seeks to bring service costs in line with available funding. Alongside this over the medium term we will use our influence and direct investment through our capital programmes to create the right conditions for the City's economy to recover and once again grow and will continue to focus on longer term transformational change to the Council.

These longer-term transformational changes and the delivery of benefits from economic development measures cannot be realised immediately. We are therefore left with little option but to revert to more traditional cost cutting measures in order to deliver the scale of reductions required within the short term. This is an approach that has been taken during 2021/22, already securing over 50% of the required £1.5m savings and will continue through 2022/23.

### **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 the Council's 30-year Business Plan. 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 reflected 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
- identifies resources for its initial Council House New Build Programme.

Since adoption of the Plan, in 2016, a number of issues e.g., Brexit and the Covid19 pandemic have had a fundamental impact on the way the Council delivers its housing and landlord services, now and in the future. In addition, the refreshed Vision 2025, includes a much greater focus on health outcomes and the environment, with implications for the delivery of housing services.

As a result, an interim high-level refresh of the Business Plan has been undertaken during 2021 with work now taking place to fundamentally re write the 30-year Plan to reflect the changes to the local, regional and national operating environment and to reflect the Councils current aims and ambitions in Vision 2025. This work will be concluded by the end of 2022.

### **Capital Expenditure**

Despite the pressures our revenue budgets face, investment in our assets, to maintain income generation, provide new income generating assets, support service delivery and to act as a catalyst in the local economy is still critical. Our capital strategy plans to deliver projects to the value of £93m over the next five years, with £41m estimated to be spent in 2022/23. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.

In addition, we have also been successful in securing £19m for the Lincoln Town Deal Programme. The Programme includes proposals to deliver long term economic growth in the City and includes contributions to schemes to be delivered by the Council of c£7m. These proposed schemes will play a huge part in supporting the economic recovery of the City post pandemic.



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 continue to be detrimentally impacted by Covid19 and the current cost of living crisis.
- 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 recovering and reductions have been factored into future years budgets, there is still a significant amount of uncertainty.
- Interest rates achieved on investments and secured on new borrowing
- Timescale for payment of invoices and collection of debts.
- Profile of capital spending and funding over the MTFS.

## **Summary**

Although both the General Fund and Housing Revenue Account have maintained balanced budget positions in 2021/22 this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget challenges have been addressed. Beyond 2021/22 we are set to face ongoing reductions in resources and increased service costs from the legacy of impacts of Covid19, coupled with the impact of the current economic issues. This will require ongoing reductions in the net cost base in order to live within a significantly reduced resources envelope. The Medium Term Financial Strategy 2022-2027, approved by Full Council in March 2022 sets out the detail of the financial challenge the Council faces.

Whilst addressing the financial challenges we face in the forthcoming years we will also continue to maintain the correct balance between these challenges and ensuring that our limited resources are directed towards the Council's 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 help recover 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 delivering the Towns Deal Programme. 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 FCCA  
Chief Finance Officer  
(Section 151 Officer)



## COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2021 to 31 March 2022 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on xx 2022

Councillor Rosie Kirk  
Chair of Council

Date:

## 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 2022 and its income and expenditure for the year ended on that date.

J Gibson FCCA  
Chief Finance Officer  
Date: xxx 2022

## 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
<b>Balance at 31 March 2020</b>	<b>2,236</b>	<b>11,588</b>	<b>999</b>	<b>9,167</b>	<b>5,147</b>	<b>5,224</b>	<b>34,361</b>	<b>203,278</b>	<b>237,638</b>
<b>Movement in reserves during 2020/21</b>									
Surplus or (deficit) on provision of services	(3,393)	0	15,967	0	0	0	<b>12,574</b>	<b>0</b>	<b>12,574</b>
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	<b>0</b>	<b>(23,028)</b>	<b>(23,028)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,393)</b>	<b>0</b>	<b>15,967</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,574</b>	<b>(23,028)</b>	<b>(10,454)</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	16,951	0	(14,563)	4,972	(636)	(1,198)	<b>5,526</b>	<b>(5,526)</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>13,558</b>	<b>0</b>	<b>1,404</b>	<b>4,972</b>	<b>(636)</b>	<b>(1,198)</b>	<b>18,100</b>	<b>(28,554)</b>	<b>(10,454)</b>
Transfers (to)/from Earmarked Reserves	(13,126)	14,455	(1,329)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>432</b>	<b>14,455</b>	<b>75</b>	<b>4,972</b>	<b>(636)</b>	<b>(1,198)</b>	<b>18,100</b>	<b>(28,554)</b>	<b>(10,454)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>2,668</b>	<b>26,043</b>	<b>1,074</b>	<b>14,139</b>	<b>4,511</b>	<b>4,026</b>	<b>52,461</b>	<b>174,723</b>	<b>227,184</b>

## 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
<b>Balance at 31 March 21</b>	<b>2,668</b>	<b>26,043</b>	<b>1,074</b>	<b>14,139</b>	<b>4,511</b>	<b>4,026</b>	<b>52,461</b>	<b>174,723</b>	<b>227,184</b>
<b>Movement in reserves during 2021/22</b>									
Surplus or (deficit) on provision of services	(3,412)	0	22,336	0	0	0	<b>18,924</b>	<b>0</b>	<b>18,924</b>
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	<b>0</b>	<b>29,235</b>	<b>29,235</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,412)</b>	<b>0</b>	<b>22,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,924</b>	<b>29,235</b>	<b>48,159</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	(4,453)	0	(22,054)	5,948	1,196	(1,929)	<b>(21,292)</b>	<b>21,292</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers (to)/from Reserves</b>	<b>(7,865)</b>	<b>0</b>	<b>282</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>1,474</b>	<b>45,502</b>	<b>46,976</b>
Transfers (to)/from Earmarked Reserves	7,400	(7,068)	(332)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>(465)</b>	<b>(7,068)</b>	<b>(50)</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>(2,368)</b>	<b>50,527</b>	<b>48,159</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>2,203</b>	<b>18,976</b>	<b>1,025</b>	<b>20,087</b>	<b>5,707</b>	<b>2,097</b>	<b>50,095</b>	<b>225,248</b>	<b>275,344</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

2020/21			Note	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
37,122	(29,718)	7,403	Chief Executive's Directorate	34,812	(27,382)	7,430
3,023	(2,486)	538	Housing and Regeneration	3,663	(2,794)	869
9,573	(29,076)	(19,503)	Housing Revenue Account (HRA)	8,475	(30,080)	(21,605)
22,007	(10,537)	11,470	Communities and Environment	23,271	(12,589)	10,682
803	(234)	569	Major Developments	1,707	(811)	896
(123)	(497)	(621)	Corporate Services	(422)	(454)	(876)
<b>72,405</b>	<b>(72,549)</b>	<b>(144)</b>	<b>Cost of Services</b>	<b>71,507</b>	<b>(74,110)</b>	<b>(2,604)</b>
	1,206		Other Operating Expenditure			467
	4,964		Financing and Investment Income and Expenditure			4,854
	(18,600)		Taxation and Non-Specific Grant Income			(21,641)
	<b>(12,574)</b>		<b>(Surplus) or Deficit on Provision of Services</b>			<b>(18,924)</b>
	2,550		(Surplus) or deficit on revaluation of non-current assets	14		(2,990)
	0		Impairment Losses on Non-Current Assets charged to the Revaluation Reserve			0
	19		(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	26e		(63)
	20,459		Total re-measurements on defined benefit obligation	44		(26,182)
	<b>23,028</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(29,235)</b>
	<b>10,454</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(48,159)</b>

## BALANCE SHEET AS AT 31 MARCH 2022

31 March 2021 £'000		Notes	31 March 2022 £'000
393,123	Property, Plant & Equipment	14,39,41	416,478
2,768	Heritage Assets	15	2,768
34,203	Investment Property	14,16	36,016
191	Intangible Assets	14,17,39	207
753	Long Term Investments	18,47	816
837	Long Term Debtors	18,47	724
<b>431,875</b>	<b>Long Term Assets</b>		<b>457,009</b>
0	Assets Held for Sale	22	1,500
33,907	Short Term Investments	18,47	49,878
139	Inventories	19	104
563	Cash at Bank	21	0
28,389	Short Term Debtors	18,20,47	24,916
<b>62,998</b>	<b>Current Assets</b>		<b>76,398</b>
0	Cash and Cash Equivalents	18,21,47	(103)
(9,418)	Short Term Borrowing	18,47	(14,932)
(33,814)	Short Term Creditors	18,23,47	(43,929)
<b>(43,232)</b>	<b>Current Liabilities</b>		<b>(58,964)</b>
0	Long Term Creditors	18,47	0
(2,578)	Provisions	24	(2,197)
(115,738)	Long Term Borrowing	18,47	(111,962)
(106,140)	Other Long-Term Liabilities	44	(84,939)
<b>(224,456)</b>	<b>Long Term Liabilities</b>		<b>(199,099)</b>
<b>227,184</b>	<b>Net Assets</b>		<b>275,343</b>
52,461	Usable reserves	10,25	50,094
174,723	Unusable Reserves	26	225,249
<b>227,184</b>	<b>Total Reserves</b>		<b>275,343</b>

## CASH FLOW STATEMENT

2020/21		Notes	2021/22
£'000			£'000
12,574	Net surplus or (deficit) on the provision of services		18,924
26,003	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	3,228
(5,032)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(11,108)
<b>33,545</b>	<b>Net cash flows from Operating Activities</b>		<b>11,044</b>
(16,474)	Investing Activities	30	(24,808)
(16,182)	Financing Activities	31	13,098
<b>889</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(666)</b>
(326)	Cash and cash equivalents at the beginning of the reporting period		563
<b>563</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>(103)</b>

## INDEX OF NOTES

	PAGE
Note 1 – Accounting Policies	29
Note 2 – Accounting Standards Issued, Not Adopted	50
Note 3 – Critical Judgements in Applying Accounting Policies	51
Note 4 – Future/Other Sources of Major Estimation Uncertainty	52
Note 5 – Prior Period Adjustment	53
Note 6 – Events after the Balance Sheet Date	54
Note 7 – Expenditure and Funding Analysis	55
Note 7A – Note to the Expenditure and Funding Analysis	56
Note 7B – Segmental Income Analysis	57
Note 8 – Expenditure and Income Analysed by Nature	57
Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulation	58
Note 10 – Movements in Earmarked Reserves	64
Note 11 – Other Operating Expenditure	67
Note 12 – Financing and Investment Income and Expenditure	67
Note 13 – Taxation and Non-Specific Grant Income	67
Note 14 – Non-Current Assets including Property, Plant & Equipment	68
Note 15 – Heritage Assets	73
Note 16 – Investment Properties and Surplus Assets	75
Note 17 – Intangible Assets	76
Note 18 – Financial Instruments	77
Note 19 – Inventories	81
Note 20 – Debtors including Taxation Debtors.	81
Note 21 – Cash and Cash Equivalents	82
Note 22 – Assets Held for Sale	82
Note 23 – Creditors	83
Note 24 – Provisions	84
Note 25 – Usable Reserves	85
Note 26 – Unusable Reserves	85
Notes 27–31 – Cash Flow Statement	91 - 93
Note 32 – Trading Operations	93
Note 33 – Agency Services	93
Note 34 – Members' Allowances	93
Note 35 – Officers' Remuneration	94
Note 36 – External Audit Costs	96
Note 37 – Grant Income	97
Note 38 – Related Parties	98
Note 39 – Capital Expenditure and Capital Financing	101
Note 40 – Leases	102
Note 41 – Impairment Losses	103
Note 42 – Capitalisation of Borrowing Costs	103
Note 43 – Termination Benefits	103
Note 44 – Defined Benefit Pension Scheme	104
Note 45 – Contingent Liabilities	109
Note 46 – Contingent Assets	109
Note 47 – Nature and Extent of Risks Arising from Financial Instruments	109



## 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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods and services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. Cash and Cash Equivalents**

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

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

### **4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

### **5. Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council in March each year as part of the Treasury Management Strategy. Depreciation, revaluation and impairment losses and amortisation are

replaced by the MRP and VRP, by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

## **6. Council Tax and Non-Domestic Rates**

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

### **Accounting for Council Tax and NDR**

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

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

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

## **7. Employee Benefits**

### **Benefits payable during employment**

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

## **Termination benefits**

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

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

## **Post-Employment Benefits**

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

## **The Local Government Pension Scheme**

The Local Government Scheme is 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 projected 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 as a result of a scheme amendment or curtailment which 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.
- 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 arise 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.

### **Financial Assets measured at fair Value through Other Comprehensive Income (FVOCI)**

Financial assets that are measured at FVOCI 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 arise in Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. The Council holds two equity investments for strategic purposes which have been designated as FVOCI.

## **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.

### **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 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 a revenue contribution 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, with a de-minimis level of £10,000.

### **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. Generally, a de-minimis level of £10,000 is applied however qualifying expenditure on assets which is lower than £10,000 but where the asset value exceeds this is recognised as capital expenditure.

### **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:

- Community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at 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
- 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.

- **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 held 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 Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

These changes are not expected to have a material impact.

### 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.
- **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.

#### 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 2022 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
<b>Business Rates</b>  (Balance Sheet 31 March 2022 – Provision for Business Rate Appeals £2.067m)	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 2021/22 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 <sup>st</sup> March 2021. 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 as at 31 March 2022 amounted to £2.067m, a decrease of £0.381m (16%) from the previous year.  An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.207m.
<b>Property, Plant and Equipment (PPE)</b>  (Balance Sheet 31 March 2022 – PPE £416m)	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.  Operational property assets are valued at the Balance Sheet date in accordance with the Royal Institute of Chartered Surveyors valuation standards and guidance. This involves the use of a number of estimation techniques including various property indices. These estimates can fluctuate as property market values and prices change in response to events.	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 £0.0743m and for council dwellings £0.237m for every year that the useful lives had to be reduced.  The Gross Book Value (GBV) of the Council's operational property assets is £416m at 31 March 2021. A 1% change in these asset valuations would result in a £4.16m change in their GBV.
<b>Assets held for sale and investment properties</b>	Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed	A 1% reduction in the value of investment properties and assets held for sale would result in a



(Balance Sheet 31 March 2022 - assets held for sale £1.5m - Investment properties £36m)	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.	charge to the Comprehensive Income & Expenditure Statement of £0.375m; a 1% increase in value would result in the recognition of a gain of £0.375m in the Comprehensive Income & Expenditure Statement.
<b>Arrears</b>  Balance Sheet 31 March 2022 - Debtors total of £29.054m includes £4.133m debtors (subject to arrears)	As at 31 March 2022, the Council had a balance on current debtors of £29.054m. A review of significant balances suggested that an impairment of doubtful debts of £4.133m was required.	If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.21m to be set aside as an allowance.
<b>Pension Liability</b>  (Balance Sheet 31 March 2022 - pensions liability £86.122m)	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 (Barnett Waddington) 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.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.578m.
<b>Investments</b> (Balance Sheet 31 March 2022 Short Term - £49.878m Long Term - £0.816m)	At 31 March 2022, the Council held £49.878m of short term investments. These comprise £28.8m invested in AAA-rated instant access Money Market Funds and £21m invested in A-rated UK institutions, all for periods of up to 1 year.	As most of the investments are either in AAA-rated MMF's or short-term deposits in A-rated UK banks, the risk of impairment is considered to be minimal.
<b>Pension Fund Property Investment Assets</b> Balance Sheet 31 March 2022 – Share of Other Net Long-Term Liability £12.675m	The Council's net pension liability and disclosed at note 44 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets. The valuation of the Fund's property investment assets may be impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global.	Less certainty and a higher degree of caution should be attached to the Council's share of these pension fund assets. The Council's actuary has estimated that the value of the Council's share of these property investment assets at 31 March 2022 was £12.675m.

#### Note 5 – Prior Period Adjustment

None

#### **Note 6 – Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 6<sup>th</sup> July 2022. 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 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 – Expenditure and Funding Analysis

2020/21					2021/22				
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	
5,848	(954)	2,509	7,403	Chief Executive's Directorate	6,710	(1,021)	1,741	7,430	
212	0	326	538	Housing and Regeneration	397	0	472	869	
(4,034)	0	(15,469)	(19,503)	Housing Revenue Account (HRA)	(1,643)	0	(19,962)	(21,605)	
6,601	0	4,869	11,470	Communities and Environment	6,556	0	4,126	10,682	
409	0	160	569	Major Developments	687	0	209	896	
(295)	850	(1,176)	(621)	Corporate Services	(389)	871	(1,358)	(876)	
<b>8,742</b>	<b>(104)</b>	<b>(8,782)</b>	<b>(144)</b>	<b>Net Cost Of Services</b>	<b>12,318</b>	<b>(150)</b>	<b>(14,772)</b>	<b>(2,604)</b>	
(23,704)	104	11,170	(12,430)	Other Income and Expenditure	(4,737)	150	(11,733)	(16,320)	
<b>(14,962)</b>	<b>0</b>	<b>2,388</b>	<b>(12,574)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,581</b>	<b>0</b>	<b>(26,505)</b>	<b>(18,924)</b>	
<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>		<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>	
<b>(13,825)</b>		<b>(995)</b>	<b>(14,820)</b>	Opening Balance	<b>(28,711)</b>		<b>(1,074)</b>	<b>(29,785)</b>	
(14,887)		(75)	(14,962)	Less/ Plus Surplus or (Deficit) in Year	7,534		49	7,583	
<b>(28,712)</b>		<b>(1,070)</b>	<b>(29,782)</b>	Closing Balance at 31 March	<b>(21,177)</b>		<b>(1,025)</b>	<b>(22,202)</b>	

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								
2020/21				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
1,358	1,102	49	<b>2,509</b>	Chief Executive's Directorate	278	1,486	(23)	<b>1,740</b>
0	305	21	<b>326</b>	Housing and Regeneration	0	478	(6)	<b>472</b>
(16,910)	1,298	142	<b>(15,470)</b>	Housing Revenue Account (HRA)	(21,622)	1,697	(37)	<b>(19,962)</b>
3,871	908	90	<b>4,869</b>	Communities and Environment	2,911	1,253	(37)	<b>4,126</b>
68	85	7	<b>160</b>	Major Developments	91	114	3	<b>209</b>
0	(1,176)	0	<b>(1,176)</b>	Corporate	0	(1,358)	0	<b>(1,358)</b>
<b>(11,614)</b>	<b>2,522</b>	<b>310</b>	<b>(8,782)</b>	<b>Net Cost of Services</b>	<b>(18,343)</b>	<b>3,670</b>	<b>(101)</b>	<b>(14,773)</b>
(1,768)	1,170	11,768	11,170	Other Income & Expenditure from the Funding Analysis	(5,484)	1,311	(7,560)	(11,733)
<b>(13,382)</b>	<b>3,692</b>	<b>12,078</b>	<b>2,388</b>	<b>Difference between General Fund Surplus/ Deficit and CIES Income &amp; Expenditure Statement Surplus/ Deficit</b>	<b>(23,827)</b>	<b>4,981</b>	<b>(7,661)</b>	<b>(26,507)</b>

## Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2020/21	2021/22
	£'000s	£'000s
Chief Executive's Directorate	(5,476)	(5,891)
Housing & Regeneration	(968)	(1,103)
Housing Revenue Account (HRA)	(29,550)	(29,593)
Communities & Environment	(10,188)	(11,818)
Major Developments	39	(621)
Corporate	(142)	0
<b>Total Income analysed on a Segmental Basis</b>	<b>(46,285)</b>	<b>(49,026)</b>

## Note 8 – Expenditure and Income Analysed by Nature

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

	2020/21	2021/22
	£'000s	£'000s
<b>Expenditure/ Income</b>		
<b>Expenditure</b>		
Employee Benefit Expenses	26,105	27,441
Other Services Expenses	60,795	65,259
Support Service Recharges	3,152	3,198
Depreciation, Amortisation and Impairment	(267)	(5,757)
REFCUS	970	1,677
Interest Payments	8,337	9,031
Precepts and Levies	850	871
Payments to Housing Capital Receipts Pool	529	529
<b>Total Expenditure</b>	<b>100,471</b>	<b>102,249</b>
<b>Income</b>		
Fees, Charges and other Service Income	(59,386)	(66,610)
Interest and Investment Income	(2,615)	(3,237)
Income from Council Tax and Non-Domestic Rates	(15,973)	(12,423)
Government Grants and Contributions	(34,899)	(37,969)
Gain/Loss on Disposal	(173)	(934)
<b>Total Income</b>	<b>(113,045)</b>	<b>(121,173)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(12,574)</b>	<b>(18,924)</b>

## **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.

2021/22	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
<b>Adjustments to Revenue Resources</b>						
<b>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:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,284	1,697	0	0	0	<b>4,981</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(7,558)	0	0	0	0	<b>(7,558)</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	(64)	(37)	0	0	0	<b>(101)</b>
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)	1,026	(18,142)	0	7,425	7,892	<b>(1,799)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>(3,314)</b>	<b>(16,482)</b>	<b>0</b>	<b>7,425</b>	<b>7,892</b>	<b>(4,479)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(30)	(3,257)	3,287	0	0	<b>0</b>
Admin costs of RTB	0	72	(72)	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,365)	0	2,365	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,444)	0	(150)	0	0	<b>(1,594)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(194)	(21)	0	0	0	<b>(215)</b>



2021/22	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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,139)</b>	<b>(5,572)</b>	<b>2,537</b>	<b>2,365</b>	<b>0</b>	<b>(1,809)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,340)	0	0	<b>(1,340)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,842)	0	<b>(3,842)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(9,821)	<b>(9,821)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,340)</b>	<b>(3,842)</b>	<b>(9,821)</b>	<b>(15,003)</b>
<b>Total Adjustments</b>	<b>(4,453)</b>	<b>(22,054)</b>	<b>1,196</b>	<b>5,948</b>	<b>(1,929)</b>	<b>(21,292)</b>

2020/21	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
<b>Adjustments to Revenue Resources</b>						
<b>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:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,394	1,298	0	0	0	<b>3,692</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	11,768	0	0	0	0	<b>11,768</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	167	142	0	0	0	<b>309</b>
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)	3,735	(11,479)	0	6,698	3,355	<b>2,309</b>
<b>Total Adjustments to Revenue Resources</b>	<b>18,062</b>	<b>(10,039)</b>	<b>0</b>	<b>6,698</b>	<b>3,355</b>	<b>18,076</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(100)	(1,620)	1,720	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Admin Costs of RTB	0	42	(42)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,898)	0	2,898	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,507)	0	(150)	0	0	<b>(1,657)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(34)	(48)	0	0	0	<b>(82)</b>

<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,112)</b>	<b>(4,524)</b>	<b>999</b>	<b>2,898</b>	<b>0</b>	<b>(1,739)</b>
<b><i>Adjustments to Capital Resources</i></b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,633)	0	0	<b>(1,633)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,624)	0	<b>(4,624)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(4,553)	<b>(4,553)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,633)</b>	<b>(4,624)</b>	<b>(4,553)</b>	<b>(10,810)</b>
<b>Total Adjustments</b>	<b>16,950</b>	<b>(14,563)</b>	<b>(634)</b>	<b>4,972</b>	<b>(1,198)</b>	<b>5,527</b>

## 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 @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
<b>General Fund</b>									
Business Rates Volatility	1,959	0	11,417	0	13,376	0	3,856	(11,666)	5,566
Council Tax Hardship Fund	0	0	531	0	531	0	0	(319)	213
Strategic Projects	146	0	2	(146)	2	0	0	2	0
Budget Carry Forwards	134	0	416	(68)	482	0	298	(113)	667
Grants & Contributions	1,106	0	591	(312)	1,385	0	754	(206)	1,932
Invest to Save (GF)	336	0	318	(200)	453	0	60	(414)	100
Mercury Abatement	371	0	0	(54)	317	0	0	(317)	0
Strategic Growth (GF)	57	0	0	(40)	17	0	0	(12)	5
Unused DRF	203	0	317	(179)	341	0	45	(182)	204
Backdated Rent Review	170	0	0	(170)	0	0	0	0	0
Funding for Strategic Priorities	926	0	0	(753)	174	0	0	(85)	89
HiMO CPN Appeals	0	0	0	0	0	0	47	0	47
Income Volatility Reserve	0	0	0	0	0	0	320	0	320
Inflation Volatility Reserve	0	0	0	0	0	0	150	0	150
IT Reserve	94	0	100	(71)	124	0	167	(72)	219
Revenues & Benefits	0	0	0	0	0	0	25	0	25
Community Fund									
Revenues & Benefits Shared	25	0	0	(25)	0	0	0	0	0
Service									
Asset Improvement	4	0	0	(4)	0	0	0	0	0
Tree Risk Assessment	106	0	17	(26)	97	0	19	(32)	84
Vision2025	0	0	411	(206)	204	0	809	(312)	701
Organisational Development	0	0	0	0	0	0	0	0	0
Lincoln Lottery Reserve	0	0	9	0	9	0	0	0	9
Mayoral Car	47	0	0	(20)	27	0	0	0	27
Yarborough Leisure Centre	2	0	0	0	2	0	0	0	2

	Balance @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Active Nation Bond Reserve	0	0	180	0	180	0	200	0	380
AGP Sinking Fund	0	0	2	0	2	0	50	0	52
Private Sector Stock	45	0	12	(30)	27	0	12	0	39
Condition Survey									
Property Searches	4	0	0	(4)	0	0	0	0	0
Corporate Training	0	0	60	0	60	0	0	0	60
Boston Audit Contract	14	0	0	(14)	0	0	0	0	0
Section 106 Interest	32	0	0	0	32	0	0	0	32
Crematorium	0	0	0	0	0	0	0	0	0
Christmas Decorations	14	0	0	0	14	0	0	0	14
Electric Van Replacement	15	0	4	0	19	0	4	0	24
Air Quality Initiatives	15	0	6	(10)	11	0	6	0	16
Commons Parking	27	0	0	(7)	20	0	10	(29)	1
Tank Memorial	10	0	0	0	10	0	0	0	10
HRS Reserve	0	0	0	0	0	0	0	0	0
City Hall Sinking Fund	60	0	0	0	60	0	0	0	60
Birchwood Leisure Centre	26	0	20	0	46	0	20	0	66
Covid Recovery Reserve	0	0	1,047	0	1,047	0	0	0	1,047
Covid Response	354	0	0	0	354	0	0	0	354
MSCP & Bus Station	60	0	0	0	60	0	44	0	104
Western Growth Corridor Plan	150	0	0	(70)	80	0	0	(30)	49
<b>Total General Fund</b>	<b>6,512</b>	<b>0</b>	<b>15,460</b>	<b>(2,409)</b>	<b>19,563</b>	<b>0</b>	<b>6,897</b>	<b>(13,792)</b>	<b>12,668</b>
<b>Earmarked Reserves</b>									
<b>HRA</b>									
HRA Strategic Growth	101	0	0	(75)	26	0	0	(21)	5
HRA Invest to Save	133	0	0	0	133	0	160	(40)	253
Capital Fees Equalisation	140	0	0	(30)	110	0	0	0	110
HRA Strategic Priority	176	0	625	(79)	722	0	0	(140)	582
De Wint Court	73	0	0	0	73	0	0	0	73
DisRepair Management	0	0	0	0	0	0	300	0	300
HRA Business Plan	0	0	0	0	0	0	77	0	77
HRA Repairs Account	595	0	755	0	1,351	0	0	0	1,351

	Balance @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
HRA Survey Works	54	0	0	0	54	0	0	(54)	0
Stock Retention	22	0	0	0	22	0	0	(22)	0
Housing Repairs Service	126	0	0	0	126	0	0	0	126
<b>Total HRA Earmarked Reserves</b>	<b>1,420</b>	<b>0</b>	<b>1,380</b>	<b>(184)</b>	<b>2,617</b>	<b>0</b>	<b>537</b>	<b>(277)</b>	<b>2,876</b>
<b>Total Earmarked Reserves</b>	<b>7,932</b>	<b>0</b>	<b>16,841</b>	<b>(2,593)</b>	<b>22,180</b>	<b>0</b>	<b>7,434</b>	<b>(14,069)</b>	<b>15,544</b>
Insurance Fund	3,657	0	375	(170)	3,862	0	0	(432)	3,431
<b>Total Earmarked Reserves</b>	<b>11,589</b>	<b>0</b>	<b>17,216</b>	<b>(2,763)</b>	<b>26,043</b>	<b>0</b>	<b>7,434</b>	<b>(14,501)</b>	<b>18,976</b>

## 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 **2021/22** 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:

2020/21		2021/22
£'000		£'000
3,657	Opening Balance	3,863
(170)	Funding of claims/losses	(150)
375	Contributions from revenue	(282)
<b>3,862</b>	<b>Closing Balance</b>	<b>3,431</b>

### Note 11 – Other Operating Expenditure

2020/21		2021/22
£'000		£'000
850	Levies	871
529	Payments to the Government Housing Capital Receipts Pool	529
(173)	(Gains)/losses on the disposal of non-current assets	(934)
<b>1,206</b>	<b>Total</b>	<b>467</b>

### Note 12 – Financing and Investment Income and Expenditure

2020/21		2021/22
£'000		£'000
3,914	Interest payable and similar charges	3,797
2,040	Net interest on the net defined liability	2,077
(990)	Interest receivable and similar income	(1,020)
<b>4,964</b>	<b>Total</b>	<b>4,854</b>

### Note 13 – Taxation and Non-Specific Grant Income

2020/21		2021/22
£'000		£'000
(6,859)	Council Tax income	(7,047)
(5,695)	Retained Business Rates income and expenditure	(5,351)
(2,668)	Non service related government grants	(1,328)
(23)	RSG	(23)
(3,355)	Capital grants and contributions	(7,892)
<b>(18,600)</b>	<b>Total</b>	<b>(21,641)</b>

# 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 2021/22										
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	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
Cost or Valuation										
At 1 April 2021	274,502	81,265	9,169	5,918	20,967	8,241	400,062	1,992	34,203	436,256
Additions	12,398	1,265	1,961	774	0	3,755	20,153	64	0	20,218
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(36)	(455)	0	0	2,174	0	1,683	0	0	1,683
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	9,286	(1,433)	0	0	(286)	0	7,567	0	408	7,974
De-recognition and disposals	(2,340)	0	0	0	0	0	(2,340)	0	0	(2,340)
Other movements in cost or valuation	5,628	(922)	26	0	(1,365)	(6,291)	(2,924)	18	1,406	(1,500)
At 31 March 2022	299,437	79,721	11,157	6,692	21,490	5,705	424,201	2,074	36,016	462,291
Depreciation										
At 1 April 2021	(33)	(1,484)	(5,291)	(119)	(10)	0	(6,938)	(1,801)	0	(8,739)
Depreciation/amortisation for year	(7,159)	(1,604)	(488)	0	0	0	(9,251)	(66)	0	(9,318)
Depreciation written out to the Revaluation Reserve	33	1,271	0	0	3	0	1,307	0	0	1,307



<b>Movements in 2021/22</b>										
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,101	0	0	0	0	0	<b>7,101</b>	0	0	<b>7,101</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
De-recognition – disposals	58	0	0	0	0	0	<b>58</b>	0	0	<b>58</b>
De-recognition – other	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	(7)	0	0	7	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2022</b>	<b>0</b>	<b>(1,824)</b>	<b>(5,780)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(7,723)</b>	<b>(1,868)</b>	<b>0</b>	<b>(9,590)</b>
<b>Net book value of assets at 31.03.22</b>	<b>299,437</b>	<b>77,897</b>	<b>5,377</b>	<b>6,573</b>	<b>21,490</b>	<b>5,705</b>	<b>416,478</b>	<b>207</b>	<b>36,016</b>	<b>452,701</b>
<b>Net book value of assets at 31.03.21</b>	<b>274,468</b>	<b>79,781</b>	<b>3,877</b>	<b>5,799</b>	<b>20,957</b>	<b>8,241</b>	<b>393,124</b>	<b>191</b>	<b>34,203</b>	<b>427,518</b>
Owned	299,437	77,897	5,377	6,573	21,490	5,705	416,478	207	36,016	452,701

<b>Movements in 2020/21</b>										
	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equip</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Property Plant &amp; Equip Subtotal</b>	<b>Intangible Assets</b>	<b>Investment Properties</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>										
<b>At 1 April 2020</b>	<b>257,607</b>	<b>89,222</b>	<b>12,890</b>	<b>5,235</b>	<b>19,750</b>	<b>2,740</b>	<b>387,444</b>	<b>1,992</b>	<b>34,646</b>	<b>424,082</b>
Additions	11,854	53	320	686	0	5,706	<b>18,619</b>	0	0	<b>18,619</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	53	(5,035)	0	0	(135)	0	<b>(5,117)</b>	0	0	<b>(5,117)</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	6,109	(3,273)	0	0	(48)	0	<b>2,788</b>	0	294	<b>3,082</b>
De-recognition and disposals	(1,327)	(439)	0	0	0	0	<b>(1,766)</b>	0	(100)	<b>(1,866)</b>
Other movements in cost or valuation	205	737	(4,042)	0	1,400	(205)	<b>(1,905)</b>	0	(637)	<b>(2,542)</b>
<b>At 31 March 2021</b>	<b>274,501</b>	<b>81,265</b>	<b>9,168</b>	<b>5,921</b>	<b>20,967</b>	<b>8,241</b>	<b>400,063</b>	<b>1,992</b>	<b>34,203</b>	<b>436,258</b>
<b>Depreciation</b>										
<b>At 1 April 2020</b>	<b>(20)</b>	<b>(2,457)</b>	<b>(8,646)</b>	<b>(119)</b>	<b>(7)</b>	<b>0</b>	<b>(11,249)</b>	<b>(1,683)</b>	<b>0</b>	<b>(12,932)</b>
Depreciation/amortisation for year	(6,362)	(1,738)	(687)	0	(4)	0	<b>(8,791)</b>	(118)	0	<b>(8,909)</b>
Depreciation written out to the Revaluation Reserve	0	2,691	0	0	0	0	<b>2,691</b>	0	0	<b>2,691</b>
<b>Movements in 2020/21</b>										
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,316	0	0	0	0	0	<b>6,316</b>	0	0	<b>6,316</b>

Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	32	21	0	0	0	0	53	0	0	53
De-recognition – other	0	0	4,042	0	0	0	4,042	0	0	4,042
Other movements in cost or valuation	0	(1)	0	0	1	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(33)</b>	<b>(1,484)</b>	<b>(5,291)</b>	<b>(119)</b>	<b>(10)</b>	<b>0</b>	<b>(6,938)</b>	<b>(1,801)</b>	<b>0</b>	<b>(8,739)</b>
<b>Net book value of assets at 31.03.21</b>	<b>274,468</b>	<b>79,781</b>	<b>3,877</b>	<b>5,799</b>	<b>20,957</b>	<b>8,241</b>	<b>393,124</b>	<b>191</b>	<b>34,203</b>	<b>427,518</b>
<b>Net book value of assets at 31.03.20</b>	<b>257,587</b>	<b>86,763</b>	<b>4,244</b>	<b>5,116</b>	<b>19,744</b>	<b>2,740</b>	<b>376,192</b>	<b>309</b>	<b>34,646</b>	<b>411,147</b>
Owned	274,468	79,781	3,877	5,799	20,957	8,241	393,124	191	34,203	427,518

## Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment are to be measured at current value 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 Council Officers, by external valuers commissioned to value specific assets or by the District Valuer.

Principal Property Surveyor  
Director – Banks Long

Mr P Clifton  
James Butcher

MRICS  
BSc (Hons) MRICS

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

	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Community Assets</b>	<b>Vehicles Plant &amp; Equip.</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valuation at historical cost</b>			6,573	5,377		5,705
<b>Valued at current value as at:</b>						
Desktop review		394				
31/03/2022		18,058			10,960	
31/03/2021	299,437	39,458			423	
31/03/2020		3,130			7	
31/03/2019		15,185			9,500	
31/03/2018		1,672			600	
<b>Total cost or valuation</b>	<b>299,437</b>	<b>77,897</b>	<b>6,573</b>	<b>5,377</b>	<b>21,490</b>	<b>5,705</b>

## Depreciation

### Tangible Assets

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. The following useful lives and depreciation rates have been used in the calculation of depreciation:

<b><u>Category Of Asset</u></b>	<b><u>Useful Economic Life</u></b>
<b>Council Dwellings</b>	60 years for new properties 30 years for properties over 30 years old
<b>Other Land &amp; Buildings</b>	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
<b>Vehicles, Plant &amp; Equipment</b>	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 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>
<b>Intangible Asset</b>	
- Software	5 years

## Note 15 – Heritage Assets

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

	<b>Heritage Vehicles £'000</b>	<b>Musical Instruments £'000</b>	<b>Civic Insignia £'000</b>	<b>Other £'000</b>	<b>Total Assets £'000</b>
<b>Cost or Valuation</b>					
At 1 April 2020	38	100	2,359	409	2,906
Additions	0	0	0	0	0
De-recognitions	(38)	(100)	0	0	(138)
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>
<b>Cost or Valuation</b>					
At 1 April 2021	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>

## 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 during every ten-year period by an appropriately qualified external valuer. These were revalued at 31<sup>st</sup> 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 31<sup>st</sup> March 2017 by external valuers Bamfords.

## Heritage Assets not recognised in the Balance Sheet

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

### Scheduled Ancient Monuments

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

### Memorials

High Street	War memorial
-------------	--------------

### Memorials

Dixon Street	War memorial
Birchwood Avenue	War memorial
Newark Road/Maple Street	War memorial

### Public Art

The Chimes, Brayford Wharf North	Artwork
Empowerment, Waterside	Artwork
Exotic Cone I and II	Artwork
Lilies, Altham Terrace	Artwork
Lion, Arboretum	Artwork
Love Seat, The Lawn	Artwork
Dr Charlesworth Statue, The Lawn	Artwork
Mother and Child, The Lawn	Artwork
St Marks Obelisk	Artwork

### 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:

2020/21 £'000		2021/22 £'000
1,462	Rental income from investment property	1,994
(5)	Direct operating expenses arising from investment property	(19)
294	Fair value gains/(losses) on investment properties	408
0	Gains/(losses) on disposal of investment properties	0
<b>1,751</b>	<b>Net gain/(loss)</b>	<b>2,383</b>

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:

2020/21 £'000		2021/22 £'000
<b>34,646</b>	<b>Balance at 1 April</b>	<b>34,203</b>
0	Additions	0
(100)	Disposals	0
294	Net gain/loss from Fair Value Adjustment	408
(637)	Transfers (to)/from Other Land and Buildings	1,406
<b>34,203</b>	<b>Balance at 31 March</b>	<b>36,016</b>

### 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 2022 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 £66k (£118k in 20/21) was charged to service headings in the Cost of Services.

## Note 18 – Financial Instruments

The Council has the following investments at 31 March 2022:

### 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:

	31/03/2021	31/03/2022
	£000	£000
Non-listed securities	504	504
<b>Total</b>	<b>504</b>	<b>504</b>

### 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 2022

	Unquoted Shares	Other	Total
	£000	£000	£000
<b>Opening Balance</b>	249	0	249
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	63	0	63
Additions	0	0	0
Disposals	0	0	0
<b>Closing Balance</b>	<b>312</b>	<b>0</b>	<b>312</b>

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

Summary of Financial Instruments		31/3/21	31/3/22
		£000s	£000s
<b>Financial Liabilities at amortised cost</b>			
Long Term Borrowing	Level 1	(115,738)	(111,962)
Short Term Borrowing	Level 1	(9,417)	(14,931)
Long Term Creditors	Level 1	0	0
Short Term Creditors	Level 1	(7,869)	(12,408)
Cash and Cash Equivalents	Level 1	0	0
<b>Total Financial Liabilities</b>		<b>(133,024)</b>	<b>(139,302)</b>
<b>Financial Assets at amortised cost</b>			

Summary of Financial Instruments		31/3/21	31/3/22
		£000s	£000s
Short Term Investments	Level 1	33,907	49,878
Long Term Debtors	Level 1	837	724
Short Term Debtors	Level 1	6,835	8,891
Cash and Cash Equivalents	Level 1	563	(103)
<b>Total Financial Assets</b>		<b>42,142</b>	<b>59,390</b>
<b>Financial Assets at FVOCI*</b>			
Long Term Investments	Level 2/3**	753	816
<b>Total Assets at FVOCI</b>		<b>753</b>	<b>816</b>

\*Fair Value through Other Comprehensive Income

\*\* See table below for detail

There have been no transfers between levels in the hierarchy during 2021/22.

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:

2021/22	Financial Liabilities	Financial Assets		Total
	Amortised Cost		FVOCI	
	£000	£000	£000	£000
Interest Expense	3,721			3,721
Interest Income credited to services		(77)		(77)
Dividend Income			(26)	(26)
Surplus or deficit arising on revaluation of financial assets			(63)	(63)
<b>Net (gain)/loss for the year</b>	<b>3,721</b>	<b>(77)</b>	<b>(89)</b>	<b>3,555</b>

2020/21				
Interest Expense	3,912			3,912
Interest Income credited to services		(77)		(77)
Interest Income			(26)	(26)
Surplus or deficit arising on revaluation of financial assets			19	19
<b>Net (gain)/loss for the year</b>	<b>3,912</b>	<b>(77)</b>	<b>(7)</b>	<b>3,828</b>

## 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. Assets measured at Fair value through other comprehensive income are classified in this way due to the business model under which they are being held and that they have features which are not usually found in a basic lending agreement.

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 31/3/22	As at 31/3/21
			£'000	£'000
Fair Value OCI				
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 *	312	249
Total			816	753

\* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £311,486 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 the 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

31/03/21					
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
93,354	106,461	PWLB Debt	Level 2	95,612	99,356
16,174	27,879	Money Market Debt	Level 2	16,174	25,339
565	565	Stock	Level 2	0	0
15,062	15,199	Other	Level 2/3	15,108	14,960
125,155	150,104	<b>Total Debt</b>		126,894	139,655

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.

\*\*See Glossary for the definition of Fair Value Input Levels.

### Financial Assets

31/03/21					
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
33,907	33,907	Money Market Investments <1 year		49,878	49,878
0	0	Money Market Investments >1 year		0	0
837	837	Long Term Debtors		724	724
<b>34,744</b>	<b>34,744</b>	<b>Total Investments</b>		<b>50,602</b>	<b>50,602</b>

The fair value of Public Works Loan Board (PWLB) loans of £99.356m 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 £95.612m would be valued at £99.356m. 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 £115.345m.

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 note for 2020/21 has been revised and the figure shown in the Balance Sheet may be subdivided as follows:

	<b>Consumable Stores</b>	
	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at the start of the year</b>	<b>138</b>	<b>138</b>
Purchases	1	11
Recognised as an expense in the year	0	(45)
<b>Balance outstanding at the year-end</b>	<b>139</b>	<b>104</b>

### 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:

<b>31/03/21</b>		<b>31/03/22</b>	
<b>£'000</b>		<b>£'000</b>	
13,843	Central Government Bodies	12,713	
8,022	Other Local Authorities	5,345	
9	NHS Bodies	4	
10,664	Other Entities and Individuals	10,987	
<b>32,537</b>	<b>Total Short-Term Debtors</b>	<b>29,049</b>	
<b>(4,148)</b>	Less Impairment Loss Allowance	<b>(4,133)</b>	
<b>28,389</b>	<b>Net Short-Term Debtors as per Balance Sheet</b>	<b>24,916</b>	

### **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:

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
122	Less than three months	115
184	Three to six months	186
3,438	Six months to one year	3,521
4,699	More than one year	5,171
<b>8,444</b>	<b>Total</b>	<b>8,993</b>

### **Note 21 – Cash and Cash Equivalents**

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
1	Cash held by the Council	1
562	Bank Current accounts	(104)
<b>563</b>		<b>(103)</b>

The overdrawn balance at 31/3/2022 shows the financial position which includes creditor payments awaiting clearance through the bank account.

### **Note 22 – Assets Held for Sale**

The Authority had a piece of development land classified as an asset held for sale at the end of the year. The sale of the asset has been approved but was not completed as at 31<sup>st</sup> March 2022.

<b>Current</b>		<b>Current</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
1,500	Balance at start of the year	0
0	Additions	0
	Newly classified:	
0	- Property Plant & Equipment	1,500
0	Revaluation gain/(loss)	0
(1,500)	Transfers from AHFS	0
0	Disposals	0
<b>0</b>	<b>Closing Balance</b>	<b>1,500</b>

## 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:

31/03/21 £'000		31/03/22 £'000
(24,825)	Central Government Bodies	(28,327)
(593)	Other Local Authorities	(607)
(8,396)	Other Entities and Individuals	(14,995)
<b>(33,814)</b>	<b>Total</b>	<b>(43,929)</b>

## 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  £'000	Compulsory Purchase Order  £'000	Business Rates Appeals  £'000
<b>Balance at 1 April 2021</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,448)</b>
Additional Provisions made in 2021/22	0	0	(947)
Amounts used in 2021/22	0	0	306
Unused Amounts Reversed in 2021/22	0	0	1,022
Unwinding of Discounting in 2021/22	0	0	0
<b>Balance at 31 March 2022</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,067)</b>

The provision for business rate appeals represents the Council's share (40% of £5.168m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. 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 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	29,350	2,192	31,542	Store of gains on revaluation of assets	a) below
Pensions Reserve	(106,140)	20,018	(86,122)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	263,163	19,408	282,571	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	(51)	3	(48)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	738	63	801	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	(196)	167	(29)	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below

Reserve	Balance 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Collection Fund Adjustment Account – NNDR	(11,428)	7,391	(4,037)	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(770)	101	(669)	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
	<b>174,723</b>	<b>49,343</b>	<b>224,066</b>		

#### 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.

2020/21 £'000		2021/22 £'000
(32,181)	<b>Balance 1 April</b>	<b>(29,350)</b>
(1,346)	Upward Revaluation of assets	(3,712)
3,773	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	7223
2,427	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,989)
281	Difference between fair value depreciation and historical cost depreciation	797
123	Amounts written out to the Capital Adjustment Account	0
<b>(29,350)</b>	<b>Balance 31 March</b>	<b>(31,542)</b>

#### 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.

2020/21 £'000		2021/22 £'000
<b>(252,643)</b>	<b>Balance 1 April</b>	<b>(263,163)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
8,909	Charges for depreciation and amortisation of non-current assets	9,318
0	Other movements of depreciation	0
(9,104)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(14,668)
(294)	Fair value movements on Investment Properties	(408)
970	Revenue expenditure funded from capital under statute	1,677
1,813	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	2,282
15	Other adjustments	0
<b>2,309</b>		<b>(1,799)</b>
(281)	Adjusting amounts written out of the Revaluation Reserve	(797)
	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
<b>2,029</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(2,596)</b>
	<b>Capital Financing applied in year:</b>	
(1,633)	Use of Capital Receipts to finance new capital expenditure	(1,340)
(150)	Use of Capital Receipts to reduce capital financing requirement	(150)
(4,624)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,842)
(82)	Capital expenditure charged against the General Fund and HRA balances	(215)
(4,553)	Application of Capital Grants to finance new capital expenditure	(9,821)
(1,507)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(1,444)
<b>(12,550)</b>		<b>(16,812)</b>
<b>(263,163)</b>	<b>Balance 31 March</b>	<b>(282,571)</b>

### 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:

2020/21 £'000		2021/22 £'000
(57)	<b>Balance 1 April</b>	(57)
0	Council's share of (surplus)/deficit for the year	0
<b>(57)</b>	<b>Balance 31 March</b>	<b>(57)</b>

### 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.

2020/21 £'000		2021/22 £'000
53	<b>Balance 1 April</b>	51
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(2)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
<b>51</b>	<b>Balance 31 March</b>	<b>48</b>

### e) Financial Instruments Revaluation 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.

2020/21 £'000	<b>Financial Instruments Revaluation Reserve</b>	2021/22 £'000
(757)	<b>Balance 1 April</b>	(738)
0	Transfer from Available for Sale Financial Instruments Reserve	0
19	(Gain)/Loss on FVOCI revaluations in year	(63)
<b>(738)</b>	<b>Balance 31 March</b>	<b>(801)</b>

**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.

2020/21 £'000		2021/22 £'000
(26)	<b>Balance 1 April</b>	196
222	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	(167)
<b>196</b>	<b>Balance 31 March</b>	<b>29</b>

**g) 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.

2020/21 £'000		2021/22 £'000
(118)	<b>Balance 1 April</b>	11,428
11,546	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	(7,391)
<b>11,428</b>	<b>Balance 31 March</b>	<b>4,037</b>

**h) 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.

2020/21 £'000		2021/22 £'000
460	<b>Balance 1 April</b>	770
(460)	Settlement or cancellation of accrual made at the end of the preceding year	(770)
770	Amounts accrued at the end of the current year	669

	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	
310		(101)
<b>770</b>	<b>Balance 31 March</b>	<b>669</b>

#### Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
129	Interest received	62
(3,976)	Interest paid	(3,786)
26	Dividends Received	26
<b>(3,821)</b>		<b>(3,698)</b>

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

2020/21 £'000		2021/22 £'000
8,791	Depreciation	9,252
(9,104)	Impairment and downward valuations	(14,668)
118	Amortisation	66
0	Increase/(decrease) in impairment for bad debts	0
22,216	Increase/(decrease) in creditors	9,863
(1,418)	(Increase)/decrease in debtors	(7,732)
(1)	(Increase)/decrease in inventories	35
3,692	Movement in pension liability	4,981
1,828	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,282
(119)	Other non-cash items charged to the net surplus or deficit on the provision of services	(851)
<b>26,003</b>		<b>3,228</b>

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

2020/21 £'000		2021/22 £'000
(1,677)	Proceeds from sale of PPE, investment property and intangible assets	(3,216)
(3,355)	Any other items for which the cash effects are investing or financing cash flows	(7,892)
<b>(5,032)</b>		<b>(11,108)</b>

### Note 30 – Cash Flow Statement - Investing Activities

2020/21 £'000		2021/22 £'000
(18,008)	Purchase of property, plant and equipment, investment property and intangible assets	(19,966)
(172,315)	Purchase of short-term and long-term investments	(150,686)
0	Other payments for investing activities	0
1,677	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,216
168,965	Proceeds from short-term and long-term investments	134,736
3,207	Other receipts from investing activities	7,892
<b>(16,474)</b>	<b>Net cash flows from investing activities</b>	<b>(24,808)</b>

### Note 31 – Cash Flow Statement - Financing Activities

2020/21 £'000		2021/22 £'000
(105)	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
14,673	Cash receipts of short & long-term borrowing	11,381
0	Other receipts from financing activities	0
(11,425)	Repayments of short- and long-term borrowing	(9,643)
(19,325)	Other payments for financing activities	11,360
<b>(16,182)</b>	<b>Net cash flows from financing activities</b>	<b>13,098</b>

Reconciliation of liabilities arising from financing activities

2021/22	01/04/2021	Financing Cash Flows		Other non-financing cash flows	31/03/2022
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	107,158	5,000	(561)	(13,215)	98,382
Short Term Borrowing	13,455	5,000	(7,710)	13,215	23,960
Lease liabilities	0	0	0	0	0
<b>Total Liabilities from financing activities</b>	<b>120,613</b>	<b>10,000</b>	<b>(8,271)</b>	<b>0</b>	<b>122,342</b>



2020/21	01/04/2020	Financing Cash Flows		Other non-financing cash flows	31/03/2021
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	110,448	(6,000)	0	2,710	107,158
Short Term Borrowing	11,460	(5,000)	9,705	(2,710)	13,455
Lease liabilities	105	0	(105)	0	0
<b>Total Liabilities from financing activities</b>	<b>122,013</b>	<b>(11,000)</b>	<b>9,600</b>	<b>0</b>	<b>120,613</b>

### 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. It also manages a number of industrial estates and commercial properties.

2020/21				2021/22		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
7,842	(6,949)	894	HRS	9,118	(7,760)	1,359
54	(408)	(355)	Industrial Estates	54	(395)	(341)
62	(1,478)	(1,416)	Lincoln Properties	67	(2,000)	(1,932)
7,958	(8,835)	(877)	Total (Surplus)/Deficit	9,240	(10,154)	(914)

### 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) (England) Regulations 2003 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 2021/22 totalled £245,456 (£249,438 in 2020/21).

Payments are defined as:

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

## Note 35 – Officers' Remuneration

The Accounts and Audit Regulations 2015 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

2021/22						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive <sup>1</sup>	141,540	0	0	0	22,686	164,225
Strategic Director of Housing & Regeneration	100,973	0	0	0	17,123	118,096
Strategic Director of Communities & Environment	98,979	0	0	0	17,123	116,102
Strategic Director of Major Developments	98,979	0	0	0	17,123	116,102
<b>Total</b>	<b>440,470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,056</b>	<b>514,525</b>

- 1) The salary costs for the Chief Executive include £16.1k relating to election expenses in 21/22.

<b>2020/21</b>						
<b>Post Title</b>	<b>Salary</b>	<b>Bonuses</b>	<b>Expense Allowances</b>	<b>Compensation for loss of office</b>	<b>Pension Contributions</b>	<b>Total</b>
	£	£	£	£	£	£
Chief Executive <sup>1</sup>	123,588	0	0	0	21,381	144,969
Strategic Director of Housing & Regeneration	96,657	0	0	0	16,722	113,378
Strategic Director of Communities & Environment	96,920	0	0	0	16,797	113,687
Strategic Director of Major Developments	96,584	0	0	0	16,709	113,293
<b>Total</b>	<b>413,748</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,578</b>	<b>485,327</b>

1) There were no elections held in 20/21 due to the Covid-19 Pandemic.

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

<b>Remuneration Band</b>	<b>Number of Employees</b>	
<b>£</b>	<b>2021/22</b>	<b>2020/21</b>
50,000 - 54,999	6	8
55,000 - 59,999	3	0
60,000 - 64,999	2	4
65,000 - 69,999	5	4
70,000 - 74,999	0	0
75,000 - 79,999	1	2
80,000 - 84,999	1	0

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

The figure above for 2021/22 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
£0 - £20,000	0	0	9	4	9	4	103,264	32,934
£20,001 - £40,000	0	0	4	4	4	4	108,353	122,870
£40,001 - £60,000	0	0	0	4	0	4	0	176,082
£60,001 - £80,000	0	0	0	1	0	1	0	60,530
£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							211,617	392,416
Add: Amounts provided for in CIES not included in bandings							0	0
<b>Total cost included in CIES</b>							<b>211,617</b>	<b>392,416</b>

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

### Note 36 – External Audit Costs

In 2021/22 the following fees relating to External Audit and Inspection were incurred and paid to Mazars, the Council's external auditors:

2020/21 £'000		2021/22 £'000
	<b><u>Fees payable for statutory audit services</u></b>	
50	Fees Payable with regard to external audit services carried out by the appointed auditor	60
<b>50</b>		<b>60</b>
	<b><u>Fees payable for other audit services</u></b>	
13	Fees payable for the certification of grant claims and returns	14
<b>63</b>	<b>Total fee payable to external auditors</b>	<b>75</b>

The fees relating to external audit services include the amount of £41,000 for the provision of the annual audit and £19,000 for advice relating to new standards and PPE/Pensions

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2021/22 is an estimate, as the work will be carried out in the period July to September 2022.

### Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

<b>Credited to Taxation and Non-Specific Grant Income</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(23)	Revenue Support Grant	(23)
(771)	New Homes Bonus	(213)
(13)	Business Rates Top Ups	0
(8)	Transparency Code Setup Grant	(8)
(1,877)	COVID	(640)
0	Lower Tier Services Grant	(266)
0	Local Council Tax Support Admin Subsidy	(201)
<b>(2,691)</b>	<b>Total Non-Ring-fenced Grants shown on CIES</b>	<b>(1,351)</b>
(852)	Disabled Facilities Grants	(852)
(107)	Section 106 agreement	(173)
0	Lincolnshire County Council	(1407)
(359)	Heritage Lottery Fund	(256)
(142)	Historic England	(941)
(40)	Department of Transport	(13)
(713)	Homes England	(3,333)
(1,000)	Towns Fund	(498)
0	Police & Crime Commissioner	(270)
(142)	Other Capital Grants and Contributions	(150)
<b>(3,354)</b>	<b>Total Capital Grants and Contributions shown on CIES</b>	<b>(7,892)</b>
<b>(12,657)</b>	<b>S31 Grants included in Non-Domestic Rates Income on CIES</b>	<b>(5,211)</b>
<b>(18,703)</b>	<b>Total Non-Ringfenced Grants included in CIES</b>	<b>(14,455)</b>

<b>2020/21</b>	<b>Credited to Services</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(12,453)	Rent Allowances	(11,590)
(11,277)	Rent Rebates	(10,589)
(227)	Discretionary Housing Payments	(187)

(336)	Housing Benefit Administration	(334)
(445)	New Burdens Grant Determination	(789)
(29)	Historic England	(48)
(137)	Local Council Tax Support Admin Subsidy	(148)
(51)	Home Office	(33)
(70)	Towns Fund	(11)
(1,517)	Homeless Specific	(1,700)
(24,701)	COVID Business Support Grants	(2,612)
(81)	Other Grants	(602)
<b>(51,324)</b>	<b>Total Grants and Contributions credited to Services</b>	<b>(28,643)</b>
<b>(70,027)</b>	<b>Total Grants, Contributions and Donated Assets</b>	<b>(43,098)</b>

### 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 2021/22 the Council sent a letter, dated 1 April 2022, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, two Members and two 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	Councillor G Hewson Councillor R Longbottom Councillor P Vaughan	Chief Executive
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan Councillor B Bean	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Lincoln Dial-a-Ride	Councillor G Hewson	Chief Executive

<b>Name of Organisation</b>	<b>Member Representative</b>	<b>Officer Representative</b>
Lincoln Citizens Advice Bureau	Councillor S Burke	Chief Executive
Investors in Lincoln	Cllr Metcalfe Cllr Murray	Chief Executive/ Major Developments
Lincoln Business Improvement Group	Councillor C Burke Councillor R Metcalfe	Communities and Environment
Central Lincolnshire Joint Strategic Planning Partnership	Councillor R Metcalfe Councillor C Burke Councillor N Tweddle Councillor G Hewson(Sub)	Communities & Environment
The Shared Revenues & Benefits Joint Committee	Councillor R Metcalfe Councillor Sue Burke Councillor D Nannestad( sub)	Chief Executive
Brayford	Councillor R Metcalfe Councillor Gary Hewson	Chief Executive
Lincoln City Foundation		Director of Communities and Environment

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 2021/22 were as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
453	Upper Witham Drainage Board	464
135	Witham 1 <sup>st</sup> Drainage Board	139
262	Witham 3 <sup>rd</sup> Drainage Board	268
<b>850</b>	<b>Total</b>	<b>871</b>

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

**2020/21**

**2021/22**

£'000		£'000
26	Lincoln Dial-a-Ride	20
28	Citizens Advice Bureau	28
36	Brayford	23

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

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

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2021, showing net assets of £4.485m and a profit of £38,150. 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 2021/22 a surplus on the managed workspace units of £23,544 was attributable to the Council.

Details of amounts received from ILL during 2021/22 are shown below:

2020/21 £'000		2021/22 £'000
133	Property Management costs	94
90	Facility Fee	68
5	Management Fee	5

An amount of £4,861 was owed to ILL at 31st March 2022 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:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Capital investment</b>	
18,619	Property, Plant and Equipment	20,154
0	Investment Properties	0
0	Intangible Assets	64
970	Revenue Expenditure Funded from Capital under Statute	1,677
<b>19,589</b>		<b>21,895</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Sources of finance</b>	
(1,633)	Capital Receipts	(1,340)
(4,553)	Government grants and other contributions	(9,821)
(82)	Revenue Contributions	(215)
(4,624)	Major Repairs Reserve	(3,842)
<b>(10,892)</b>	<b>Total sources of financing</b>	<b>(15,218)</b>
<b>(8,697)</b>	<b>Capital Financing Requirement</b>	<b>(6,677)</b>
	<b>Capital Financing Requirement - Funded by:</b>	
8,697	Unsupported Borrowing	6,677
<b>8,697</b>		<b>6,677</b>
130,736	Opening CFR	137,776
8,697	Unsupported borrowing	6,677
0	Adjustments in respect of leases disposed under finance lease	0
(1,507)	Minimum Revenue Provision/Voluntary Revenue Provision	(1,444)
(150)	Application of capital receipts to reduce CFR	(150)
<b>137,776</b>	<b>Closing CFR</b>	<b>142,859</b>

The Council has a five-year Housing Investment programme, of which £4.465m is contractually committed for delivery in 2022/23. 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 £7.69m is contractually committed for delivery in 2022/23. Market refurbishment of £6.98m, IT and Telephony schemes (£0.083m), St Mary's Guildhall (£0.348m) and to allow completion of schemes

Crematorium improvements (£0.131m), Artificial Grass Pitches (£0.088m) and Whitton's Park (£0.057m).

## Note 40 – Leases

### Council as Lessee

#### Finance Leases

The Council does not have any finance leases as Lessee.

#### Operating leases

The Council has acquired the use of a number of assets, such as vehicles, 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:

2020/21		2021/22
£'000		£'000
191	Vehicles Plant & Equipment	193
<b>191</b>	<b>Minimum lease payments</b>	<b>193</b>

### 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 2021/22.

## 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:

2020/21		2021/22
£'000		£'000
2,238	Not later than one year	2,746
8,833	Later than one year and not later than five years	9,860
22,385	Later than five years	20,650
<b>33,457</b>		<b>33,257</b>

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 2021/22, £0.343m contingent rents were foregone by the Council (2020/21 £0.386m received).

### Note 41 – Impairment Losses

There were no impairment losses during 2021/22.

### 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 2021/22, incurring liabilities of £0.392m (£0.212m in 2020/21) – 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:

2020/21 £'000		2021/22 £'000
	<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>	
	<b>Net Cost of Services:</b>	
6,477	Current Service Cost	7,803
0	Past Service Costs (including curtailments)	0
	<b>Financing and Investment Income and Expenditure:</b>	
1,896	Net Interest Expense	2,077
<b>8,373</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>9,880</b>

2020/21 £'000		2021/22 £'000
	<b>Re-measurement of the net defined benefit liability comprising:</b>	
(29,268)	Return on plan assets (excluding the amount included in the net interest expense)	(14,956)
(2,407)	Actuarial gains and losses arising on changes in demographic assumptions	0
54,612	Actuarial gains and losses arising on changes in financial assumptions	(11,699)
(2,478)	Other	473
20,459	<b>Total re-measurements recognised in Other Comprehensive Income and Expenditure</b>	(26,182)
<b>28,832</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(16,302)</b>

2020/21 £'000		2021/22 £'000
	<b><u>Movement in Reserves Statement</u></b>	
8,373	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,880
(4,681)	Actual amount charged against the General Fund Balance for pensions in the year:	(4,899)

### 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:

2020/21 £'000		2021/22 £'000
(264,908)	Present value of the defined obligations	(259,765)
158,769	Fair value of plan assets	174,816
<b>(106,139)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(84,949)</b>

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

2020/21 £'000		2021/22 £'000
127,431	Opening fair value of scheme assets	158,769
2,527	Interest Income	3,156
29,268	The return on plan assets, excluding the amount included in the net interest expense	14,956
4,681	Contributions from employer	4,888
1,028	Contributions from employees into the scheme	1,017
(6,674)	Benefits Paid	(7,851)
(105)	Administration Expenses	(119)
612	Settlement Prices received/(paid)	0
<b>158,769</b>	<b>Closing Fair value of scheme assets</b>	<b>174,816</b>

## Reconciliation of Present Value of the scheme liabilities:

2020/21 £'000		2021/22 £'000
209,420	Opening balance at 1 April	264,908
6,159	Current Service Cost	7,461
4,423	Interest Cost	5,233
1,028	Contributions from scheme participants	1,017
	Re-measurement (gains) and losses:	
(2,407)	Actuarial gains/losses arising from changes in demographic assumptions	
54,612	Actuarial gains/losses arising from changes in financial assumptions	(11,699)
(2,478)	Other	473
0	Past Service Cost	223
825	Liabilities assumed/(extinguished) on settlements	0
(6,674)	Benefits Paid	(7,851)
<b>264,908</b>	Closing Balance at 31 March	<b>259,765</b>

## Local Government Pension Scheme assets comprised:

Quoted in Active Markets 2020/21 £'000	Unquoted in Active Markets 2020/21 £'000	Total 2020/21 £'000		Quoted in Active Markets 2021/22 £'000	Unquoted in Active Markets 2021/22 £'000	Total 2021/22 £'000
			Fixed Interest Government Securities:			
1,762	0	1,762	UK	1,748	0	1,748
0	0	0	Overseas	0	0	0
<b>1,762</b>	<b>0</b>	<b>1,762</b>	<b>Sub-total Fixed Interest Government Securities</b>	<b>1,748</b>	<b>0</b>	<b>1,748</b>
			Index Linked Government Securities:			
2,747	0	2,747	UK	2,622	0	2,622
0	0	0	Overseas	0	0	0
<b>2,747</b>	<b>0</b>	<b>2,747</b>	<b>Sub-total Index Linked Government Securities</b>	<b>2,622</b>	<b>0</b>	<b>2,622</b>
			Corporate Bonds:			
15,782	0	15,782	UK	16,083	0	16,083
0	0	0	Overseas	0	0	0
<b>15,782</b>	<b>0</b>	<b>15,782</b>	<b>Sub-total corporate bonds</b>	<b>16,083</b>	<b>0</b>	<b>16,083</b>
			Equities:			
25,721	0	25,721	UK	27,446	0	27,446
65,191	0	65,191	Overseas	69,052	0	69,052
<b>90,912</b>	<b>0</b>	<b>90,912</b>	<b>Sub-Total equities</b>	<b>96,498</b>	<b>0</b>	<b>96,498</b>

11,193	413	11,606	Property: All	11,887	699	12,587
<b>11,193</b>	<b>413</b>	<b>11,606</b>	<b>Sub-Total Property</b>	<b>11,887</b>	<b>699</b>	<b>12,587</b>
			Others:			
0	4,731	4,731	Hedge Fund	350	4,895	5,245
476	8,859	9,335	Private Equity	524	12,237	12,761
921	4,096	5,017	Infrastructure	1,049	5,944	6,993
730	0	730	Commodities	1,049	0	1,049
5,176	0	5,176	Bonds	0	0	0
0	0	0	Credit – Diversified Income	7,867	0	7,867
0	1,556	1,556	Private Debt	0	1,748	1,748
2,509	429	2,938	Other Diversified Alternatives	2,447	175	2,622
0	-111	-111	Forward Current Contracts	0	175	175
7,081	0	7,081	Cash/Temporary Investments	6,643	0	6,643
<b>16,893</b>	<b>19,560</b>	<b>36,453</b>	<b>Sub-Total Others</b>	<b>19,929</b>	<b>25,174</b>	<b>45,103</b>
			Net Current Assets:			
111	0	111	Debtors	175	0	175
0	-603	-603	Creditors	0	0	0
<b>111</b>	<b>-603</b>	<b>-492</b>	<b>Sub-Total Net Current Assets</b>	<b>175</b>	<b>0</b>	<b>175</b>
<b>139,399</b>	<b>19,370</b>	<b>158,769</b>	<b>Total assets</b>	<b>148,943</b>	<b>25,873</b>	<b>174,716</b>

### 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 Barnett Waddington, 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:

2020/21		2021/22
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
21.1	Men	21.2
23.6	Women	23.7
	<u>Longevity (in years) at 65 for future pensioners:</u>	
22.0	Men	22.1
25.0	Women	25.1
3.2%	Rate of increase in salaries	3.6%
2.9%	Rate of increase in pensions	3.3%
2.0%	Rate for discounting scheme liabilities	2.6%

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.

<b>Sensitivity Analysis:</b>	<b>Increase in Assumptions £'000s</b>	<b>Decrease in Assumptions £'000s</b>
<b>Adjustment to Discount Rate (increase or decrease by 1%)</b>		
Present Value of Total Obligation	5,260	(5,375)
Projected Service Cost	199	(203)
<b>Adjustment to Long Term Salary (increase or decrease by 1%)</b>		
Present Value of Total Obligation	(847)	837
Projected Service Cost	3	4
<b>Adjustment to Pension/Revaluation (increase or decrease by 1%)</b>		
Present Value of Total Obligation	(4,489)	4,395
Projected Service Cost	(202)	197
<b>Adjustment to Life Expectancy (increase or decrease by 1 year)</b>		
Present Value of Total Obligation	(12,076)	11,523
Projected Service Cost	(325)	313

### **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 2021/22 are estimated to be £4.981m.

#### **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 is one contingent liability as at 31 March 2022.

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.

#### **Note 46 – Contingent Assets**

The Council has no Contingent Assets as at 31<sup>st</sup> March 2022.

#### **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 2<sup>nd</sup> March 2021. 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](http://www.lincoln.gov.uk)). The key issues during 2021/22 were:

- The Authorised Limit for 2021/22 was forecast to be £160m (revised to £140m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £145m (revised to £137m). 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 £125m and £53m (mid year update) 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](http://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 2021/22 was approved by full Council on 2<sup>nd</sup> March 2021.

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 31/03/22 £'000 a	Historical experience of default % b	Adjusted for market conditions at 31/03/22 % c	Estimated maximum exposure to default £'000 (a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	28,850	0.0000%	0.0000%	0
• AA-* rated counterparties (investments up to 1 year)	0	0.0000%	0.0000%	0
• A* rated counterparties (investments up to 1 year)	9,000	0.0168%	0.0168%	2
• A+* rated counterparties (investments up to 1 year)	10,000	0.0133%	0.0133%	1
• A- rated counterparties (investments up to 1 year)	2,000	0.0070%	0.0070%	0
Debtors	8,891	7.17%**	7.17%	637
	<b>58,741</b>			<b>640</b>

\*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

		Short term		Long term	
	Principal invested	Fixed rate	Variable rate	Fixed rate	Variable rate
	£'000	£'000	£'000	£'000	£'000
<b><u>UK Local Authorities</u></b>					
Brentwood Borough Council	0	0	0	0	0
<b><u>UK Banks &amp; Building Societies</u></b>					
Lloyds TSB Bank plc	3,000	3,000	0	0	0
Santander	7,000	7,000	0	0	0
National Westminster Bank Plc (RFB)	2,000	2,000	0	0	0
Standard Chartered Bank	7,000	7,000	0	0	0
Close Brothers Ltd	2,000	2,000	0	0	0
<b><u>UK Money Market Funds</u></b>					
Aberdeen Standard MMF	7,000	0	7,000	0	0
BlackRock MMF	3,050	0	3,050	0	0
BNP Paribas MMF	7,000	0	7,000	0	0
Federated Investors (UK) MMF	3,500	0	3,500	0	0
Goldman Sachs MMF	4,200	0	4,200	0	0
Morgan Stanley MMF	4,100	0	4,100	0	0
<b>Total Investments</b>	<b>49,850</b>	<b>21,000</b>	<b>28,850</b>	<b>0</b>	<b>0</b>

The Council allows credit for its trade debtors, such that £1,006,720 of the £3,516,980 balance is not past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/21 £'000		31/03/22 £'000
450	Less than three months	269
201	Three to six months	399
214	Six months to one year	521
1,317	More than one year	1,321
<b>2,182</b>	<b>Total</b>	<b>2,510</b>

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: -

31/03/21 £'000		31/03/22 £'000	
9,418	Less than one year	14,931	
8,215	Between one and two years	2,720	
6,072	Between two and five years	3,588	
101,451	More than five years	105,654	
<b>125,156</b>	<b>Total</b>	<b>126,893</b>	

## 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:

2020/21		2021/22
£'000		£'000
(252)	Increase in interest receivable on variable rate investments	(255)
<b>(252)</b>	<b>Impact on Income and Expenditure Account</b>	<b>(255)</b>
(172)	Share of overall impact credited to the HRA	(174)
(80)	Share of overall impact credited to the General Fund	(81)
<b>(252)</b>	<b>Total</b>	<b>(255)</b>

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 £0.82m in a number of joint ventures and in local industry. Whilst these holdings are generally liquid, 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 (£0.312m). 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 2022

2020/21		Notes	2021/22	2021/22
£'000			£'000	£'000
	<b>Expenditure</b>			
(7,574)	Repairs and Maintenance	5	(8,428)	
(7,457)	Supervision and Management		(7,803)	
(129)	Rents, rates, taxes and other charges		(607)	
5,734	Depreciation, impairment and other adjustments for non-current assets		8,648	
(5)	Debt management costs		(1)	
(279)	Movement in the allowance for bad debts		(284)	
<b>(9,710)</b>	<b>Total Expenditure</b>			<b>(8,475)</b>
	<b>Income</b>			
28,115	Dwelling rents		28,700	
645	Non-dwelling rents		352	
0	Other Income		766	
316	Charges for services and facilities		262	
<b>29,076</b>	<b>Total Income</b>			<b>30,080</b>
<b>19,366</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>21,605</b>
(894)	Transfer from HRS			(1,359)
<b>18,472</b>	<b>Net Cost for HRA Services</b>			<b>20,246</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
173	Gain or (loss) on the sale of HRA assets			904
(2,427)	Interest payable and similar charges			(2,425)
23	Interest and investment income			24
(726)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9		(766)
453	Capital grants and contributions receivable			4,353
<b>15,968</b>	<b>Surplus or (deficit) for the year on HRA services</b>			<b>22,336</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2020/21 £'000		2021/22 £'000
996	<b>Balance on the HRA at the end of the previous year</b>	1,075
15,967	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	22,336
(14,555)	Adjustments between accounting basis and funding basis under statute	(22,054)
<b>1,412</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>282</b>
(1,334)	Transfers (to) or from reserves	(331)
79	<b>Increase or (decrease) in year on the HRA</b>	(49)
<b>1,075</b>	<b>Balance on the HRA at the end of the current year</b>	<b>1,025</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2022, totalled 7,806 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	888	561	536	2,028
2 Bed	5	119	80	105	309
3 Bed	0	0	12	1	13
<b>Sub-Total</b>	48	1,007	653	642	2,350
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	237	267	554
2 Bed	0	214	111	149	474
3 Bed	0	15	4	1	20
4 Bed	0	1	0	0	1
<b>Sub-Total</b>	0	280	352	417	1,049
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	55	138	0	193
2 Bed	0	30	71	0	101
<b>Sub-Total</b>	0	85	209	0	294
Houses / Bungalows					
1 Bed	157	143	32	25	357
2 Bed	715	757	98	330	1,900
3 Bed	789	537	68	303	1,697
4 or more Beds	96	25	1	28	150
<b>Sub-Total</b>	1,757	1,462	199	686	4,104
<b>Total Dwellings 31 March 2022</b>	<b>1,805</b>	<b>2,834</b>	<b>1,413</b>	<b>1,745</b>	<b>7,806</b>

### 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:

	<b>£ 000</b>
Vacant possession value of council dwellings at 31 March 2022	711,406
Balance sheet valuation applying the Social Housing discount factor	298,791

The Balance Sheet value of HRA Assets is as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
273,835	Council Dwellings	298,791
5,897	Other Operational Assets	4,494
21,885	Non-Operational Assets	18,015
<b>301,617</b>	<b>Total at 31 March</b>	<b>321,300</b>

### Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

<b>Depreciation:</b>		
<b>2020/21</b>	<b>Operational Assets:</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
6,348	Council Dwellings	7,145
351	Other Operational Assets	278
<b>6,698</b>	<b>Total at 31 March</b>	<b>7,423</b>

### 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.

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>(9,168)</b>	<b>Balance on 1 April</b>	<b>(14,141)</b>
	Amount transferred from the HRA	
	- Depreciation	
(6,348)	Dwellings	(7,145)
(351)	Other Assets	(280)
(2,898)	- Other revenue contributions	(2,365)
<b>(18,764)</b>		<b>(23,929)</b>
4,624	- HRA Capital Expenditure	3,842
<b>(14,139)</b>		<b>(20,088)</b>

## 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.

2020/21 £'000		2021/22 £'000
<b>(595)</b>	Balance on 1 April	<b>(1,351)</b>
	<b>Expenditure in year</b>	
2,221	Tenant Notified Repairs	3,702
1,899	Void Repairs	1,949
1,710	Servicing Contracts	1,762
(8)	Painting Programme	24
60	Asbestos Removal/Surveys	107
0	Specialist Property Surveys	3
363	Aids & adaptations	392
13	Aids & adaptations (Non HRS)	17
84	Cleansing	89
81	Minor Works	0
47	Decoration Grants	58
1	Tenants Compensation	0
990	COVID Charges	64
92	Skip Recharges	99
27	Control Centre Recharge	27
8	Estate Shops	0
(13)	Other Expenditure	137
<b>7,575</b>		<b>8,428</b>
	<b>Income in year</b>	
(7,575)	Contribution from HRA	(8,326)
(750)	Contribution to HRA	0
0	Repairs Account Income	(101)
0	Contribution from Leaseholders	0
(5)	Interest Received in year	0
<b>(8,330)</b>		<b>(8,428)</b>
<b>(1,351)</b>	<b>Surplus Balance on 31 March</b>	<b>(1,351)</b>

## 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:

2020/21 £'000		2021/22 £'000
	<b>Capital investment</b>	
16,377	Property, Plant and Equipment – HRA	15,263
0	Property, Plant and equipment – GF used as council housing	1
0	Non-Current Assets held for sale	0
0	Intangible Assets	0
0	Revenue Expenditure funded from Capital under Statute	0
<b>16,377</b>		<b>15,264</b>
	<b>Sources of funding</b>	
(1,504)	Capital Receipts	(867)
(48)	Revenue Contributions	(21)
(4,625)	Major Repairs Reserve	(3,842)
(8,099)	Prudential Borrowing	(4,178)
(2,101)	Government grants and other contributions	(6,356)
<b>(16,377)</b>		<b>(15,264)</b>
<b>0</b>	<b>Balance unfunded at 31 March</b>	<b>0</b>

\* 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 2021/22 (£0.000m in 2020/21).

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 2021/22, there was £4.178m 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:

2020/21 £'000		2021/22 £'000
	Council dwellings	
(1,559)	- Right to Buy	(3,156)
(60)	- Discounts repaid	(102)
	Other Receipts	
	- Land Sales reimbursements	0
	- Reimbursement of expenditure on	0
0	General Fund property on sale	0
	Land receipts	
(1,620)		(3,256)
529	Less Pooled (Paid to Central Government)	529
<b>(1,091)</b>	<b>Total</b>	<b>(2,727)</b>

## Note 8 - Rent Arrears

During the year 2021/22 total rent arrears decreased by £29k equal to -1.35%, to £2.125m. A summary of rent arrears and prepayments is shown in the following table:

2020/21 £'000		2021/22 £'000
1,218	Current Tenant Arrears @ 31 March	1,165
936	Former Tenant Arrears @ 31 March	960
2,154	<b>Total Rent Arrears</b>	2,125
(191)	Prepayments @ 31 March	(242)
<b>1,963</b>	<b>Net Rent Arrears</b>	<b>1,883</b>

A provision for doubtful debts of £284,251 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 2022 is £2.016m (£1.907m at 31 March 2021).

## 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:

2020/21		2021/22
£'000		£'000
	<b>HRA Income &amp; Expenditure Statement</b>	
2,365	Current Service Cost	2,737
0	Past Service Costs	0
726	Net interest expense	766
<b>3,091</b>	<b>Total</b>	<b>3,503</b>
(1,793)	Amount to be met from HRA	(1,806)
<b>1,298</b>	<b>Movement on Pension Reserve</b>	<b>1,697</b>

# THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £'000 Total		2021/22 £'000 Council Tax	2021/22 £'000 NNDR	2021/22 £'000 Total	Note
<b>INCOME</b>					
(45,458)	Council Tax Payers	(47,853)	0	(47,853)	2
(108)	Income from Ministry of Defence	(115)	0	(115)	
(16,681)	Income from Business Ratepayers	0	(33,168)	(33,168)	3
<b>(62,247)</b>		<b>(47,968)</b>	<b>(33,168)</b>	<b>(81,136)</b>	
<b>EXPENDITURE</b>					
Precepts:					
6,915	- City of Lincoln Council	6,956	0	6,956	
33,024	- Lincolnshire County Council	33,248	0	33,248	
6,206	- Police & Crime Comm. Lincolnshire	6,491	0	6,491	
Business Rates:					
22,372	- Payments to Government	0	21,641	21,641	3
17,707	- Payments to City of Lincoln Council	0	17,164	17,164	3
4,426	- Payments to Lincs County Council	0	4,291	4,291	3
143	- Cost of Collection	0	144	144	
Bad and Doubtful Debts					
333	- Provisions	410	(64)	346	
299	- Write Offs	255	126	381	
432	- Provision for appeals	0	(952)	(952)	
1,185	Transfer of Collection Fund Surplus	(510)	(27,665)	(28,175)	4
<b>93,042</b>		<b>46,850</b>	<b>14,685</b>	<b>61,535</b>	
<b>30,795</b>	<b>Deficit / (Surplus) for the year</b>	<b>(1,118)</b>	<b>(18,483)</b>	<b>(19,601)</b>	
<b>COLLECTION FUND BALANCE</b>					
(907)	Balance brought forward at 1 <sup>st</sup> April	1,311	28,576	29,887	
30,794	Deficit/(Surplus) for the year (as above)	(1,118)	(18,483)	(19,601)	
<b>29,887</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>193</b>	<b>10,093</b>	<b>10,286</b>	
<b>Allocated to:</b>					
11,626	- City of Lincoln Council	29	4,037	4,066	
3,796	- Lincolnshire County Council	136	1,009	1,145	
177	- Police & Crime Comm. Lincolnshire	27	0	27	
14,288	- Government	0	5,048	5,048	
<b>29,887</b>		<b>192</b>	<b>10,093</b>	<b>10,286</b>	

## 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 2021/22, the City of Lincoln's proportionate share remained consistent with that of 2020/21, as follows:

	<b>2021/22 'Pool'</b>
City of Lincoln	40%
Lincolnshire County Council	10%
Central Government	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 2021/22 was 24,372.38 (24,689.50 in 2020/21). 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 2021/22 was approved at the Executive on 4<sup>th</sup> January 2021 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	50	47	25
A	6/9	25,850	22,953	15,302
B	7/9	8,582	7,898	6,143
C	8/9	4,683	4,364	3,879
D	9/9	2,420	2,288	2,288
E	11/9	1,076	1,025	1,253
F	13/9	376	361	521
G	15/9	138	143	238
H	18/9	12	16	31
<b>Total</b>		<b>43,187</b>	<b>39,095</b>	<b>29,682</b>
Deduction for Non-Collection				(668)
Crown Properties Adjustment				58
<b>Adjusted to Band D Equivalent</b>				<b>29,072</b>
Council Tax Relief Scheme				(4,700)
<b>Tax Base for the Calculation of Council Tax</b>				<b>24,372</b>

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 2021/22 was £47.853m (£45.458m in 2020/21).

## 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 2021/22, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

	2020/21 'Pool'	2021/22 'Pool'
City of Lincoln	40%	40%
Lincolnshire County Council	10%	10%
Central Government	50%	50%

The business rates shares payable for 2021/22 were estimated before the start of the financial year as **£21.455m** (£22.130m in 2020/21) to Central Government, **£4.291m** (£4.426m in 2019/20) to LCC and **£17.164m** (£17.704m in 2020/21) to the City of Lincoln Council. These sums have been paid in 2021/22 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government or to Top-up authorities within an NNDR Pooling arrangement are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In 2021/22 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of **£13.094m** (£13.094m in 2020/21).

The total income from business rate payers collected in 2021/22 was **£33.168m** (£16.681m in 2020/21).

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 **£3.528m** (£3.528m in 2020/21). 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 2021/22.

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 31<sup>st</sup> March 2022. 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 2021/22 has been calculated at £0.952m (£0.432m was added in 2020/21).**

For 2021/22, the total non-domestic rateable value at the year-end is **£111.3m** (£112.4m in 2020/21). The national multipliers for 2021/22 were **49.9p** for qualifying Small Businesses, and the standard multiplier being **51.2p** for all other businesses (49.9p and 51.2p respectively in 2020/21).

#### 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 2021 it was estimated that the Collection Fund would have a Council Tax deficit of **£1.106m** (£0.383m surplus in January 2020) and a Business Rates deficit of **£27.665m** (£0.802m surplus in January 2020), a combined Collection Fund deficit of **£28.771m** (£1,185m surplus in January 2020) and so the following amounts were due to or from the preceptors in 2021/22:

2020/21 £'000		2021/22 £'000
(202)	City of Lincoln Council	11,232
(88)	Lincolnshire County Council	3,558
(52)	Police & Crime Comm. Lincolnshire	149
(843)	Central Government	13,833
<b>(1,185)</b>	<b>Total</b>	<b>28,771</b>

**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) and based on the principles of the "Delivering Good Governance in Local Government Framework 2016"

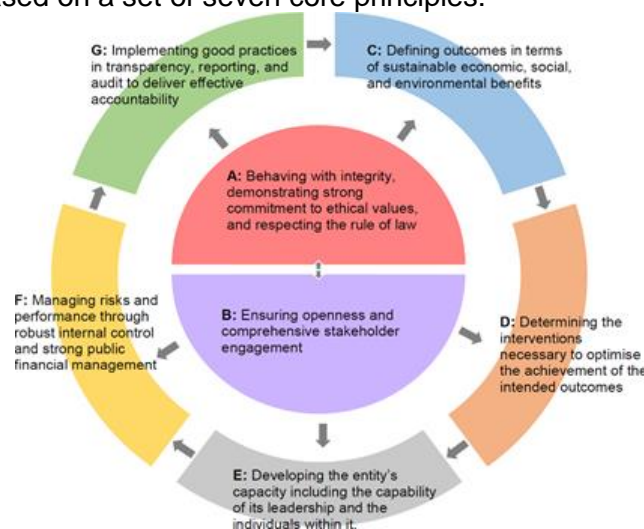
How we are meeting these defined responsibilities is detailed in the City of Lincoln's Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. [www.lincoln.gov.uk](http://www.lincoln.gov.uk)

The council's Code of Corporate Governance, comprehensively reviewed in 2017, is updated annually. A further comprehensive review was completed in April 2021, considering 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 new section on the impact on the council, and actions taken as a result, of the COVID-19 pandemic.

### 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:

<b>KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK</b> Key elements of the governance framework at City of Lincoln Council are summarised below:	
<b>Council, Executive, Leader</b> <ul style="list-style-type: none"> <li>❖ Provide leadership; set, develop and implement policy</li> <li>❖ Ensure the Vision 2025 strategies are taken forward</li> <li>❖ Develop, adopt and implement the budget framework</li> <li>❖ Support the city's diverse communities and neighbourhoods to thrive</li> </ul>	<b>Leadership and decision making</b> <ul style="list-style-type: none"> <li>❖ All decision meetings held in public (except those identified as 'part B')</li> <li>❖ Decisions recorded on the council's public website</li> <li>❖ Resources directed according to priorities as set out in Vision 2025</li> </ul>
<b>Scrutiny and review</b> <ul style="list-style-type: none"> <li>❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account</li> <li>❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans</li> <li>❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct</li> <li>❖ Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision</li> </ul>	<b>Risk management</b> <ul style="list-style-type: none"> <li>❖ Risk registers identify both operational and strategic risks</li> <li>❖ Strategic risks are considered by CMT and Executive every quarter</li> <li>❖ Internal audit provides independent objective assurance</li> <li>❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit</li> </ul>
<b>Corporate Management Team (CMT)</b> <ul style="list-style-type: none"> <li>❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT)</li> <li>❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community</li> <li>❖ 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</li> <li>❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct</li> </ul>	

**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 caused major disruption to the day to day work of the council, including cancellation of some committee meetings, and changing

priorities to protect our most vulnerable residents and local businesses. This meant there was a need to initiate business continuity procedures as well as introducing new or varied governance arrangement in some areas.

#### **Actions taken to address the impact of the COVID-19 pandemic in 2021/22:**

- Co-ordinated response to the pandemic working with Lincolnshire Local Resilience Forum
- High levels of social media relating to the pandemic to support residents in knowing what to do, (or not to do), where and when
- Review of governance arrangements following introduction of the Coronavirus Act 2020, including introduction of virtual council and other key meetings
- Restoration of statutory meetings in public when required, retention of on-line meetings as default method to minimise risks
- Development of policies and procedures to enable delivery of services, including critical services, whilst ensuring protection of staff and customers.
- Prioritisation of resources to ensure recovery and ongoing provision of key services
- Support for local businesses in applying for business rate-payers discounts and business grants payments
- Further HR interim procedures and checklists for managers introduced to support employees working from home and support their health and wellbeing
- 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 have put in place processes and revised 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 for the community and vulnerable persons through working with partner 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, including an MTFS review
- Performance reporting re-instated for all relevant services, with targets adjusted to reflect the new working environments where appropriate.
- Progressing of access to various central funding pots to support High Street recovery including accessing ERDF funding for the Welcome Back project
- A full mid-term review of Vision 2025, in particular considering the effect of Covid-19 on the physical and mental health of residents, and what the council could do through changing strategic priorities to support them. Development of a three year action plan for 2022/25 .
- A full review of all Business Continuity Plans to ensure that new working styles are considered as part of the new norm.
- Full roll out of Office 365 and IT equipment to all staff to enable working from home wherever and whenever necessary
- Adding a new (temporary) chapter to the Lincoln City Profile to cover data on Covid 19
- Protecting Vulnerable People (PVP) Group commissioned an audit to cover the impact from Covid on PVP/ safeguarding. (To Audit March 2022)

#### **Proposed activity for the coming year:**

- Evidenced review of the longer-term effects of Covid on the city (especially health) as coming through in the Lincoln City Profile and 2021 census data



- Delivery of phase one of the three year action plan, with confirmation of the projects to commence in phase two
- Review of Business Continuity plans alongside the new IT disaster Recovery plan which will include coverage of all risks highlighted through the pandemic experience

## 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 2021/22:

- Communications plan in place for Protecting Vulnerable People (PVP) (social media)
- A full annual review of the Code of Corporate Governance was conducted
- Regular portfolio holder meetings held including COVID-19 effects in the earlier months of the year
- Revised audit plan developed to meet governance needs
- Regular attendance at both CLT and Service Managers meeting by the Data Protection Officer to provide clear information on any changes of regulations, risks or procedures
- Internal Audit conducted on Risk – which achieved substantial assurance.
- Counter Fraud Strategy revised and approved July 2021
- Anti-bribery Policy revised and approved December 2021
- Homes England report on compliance audit report – green: meets standards
- Review of the Regulation of Investigatory Powers Policy
- Domestic Abuse Board for Lincolnshire established and CoLC compliant with legislative requirements
- Internal audit on Protecting Vulnerable People completed
- An External Quality Assessment of Internal Audit completed for 2021/22 with positive results

### Proposed activity for the coming year:

- Annual update Code of Corporate Governance
- Undertake Assessment against HIA requirements – Sept 2023
- Assess outcome of external quality assessment of Internal Audit and develop action plan
- Update member code of conduct in accordance with government guidelines
- Review of needs to meet the proposed Subsidy Control Bill
- Review of needs to meet the Electoral Integrity Bill
- Adults safeguarding Audit (LAAF) – 2022
- Review proposals for a peer review on Children's safeguarding in 2022
- Review proposals in the Levelling UP and Regeneration Bill
- Modern Slavery Charter and Statement to be reviewed



## 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 2021/22:

- Regular staff briefings on COVID-19 updates and impacts via electronic newsletter from CX
- Consultation with service users ahead of changes to service delivery (e.g. Resident's Parking proposals, Vision 2025 mid-term review, Medium Term Financial Strategy and Council Tax proposals)
- Consultation with partner organisations ahead of changes to funding arrangements (Dial a ride and Citizens Advice)
- Revised Consultation and Engagement Strategy approved September 2021
- Citizen Panel consultation regarding High Street recovery completed to inform action plan
- A new HUB communication intranet has been developed and populated with key corporate information in an easily accessible and user friendly format
- Consultation on the new Central Lincolnshire Local Plan completed
- Revision of the Lincoln Tenant's Panel constitution to make it more Strategic in nature
- Temporary solution to the lack of customer feedback (following Covid-19) has been implemented via an automated text call back system

### Proposed activity for the coming year:

- Complete the review of the Consultation and Engagement staff guidance
- Consultation with service users relating to Climate Change
- Conduct a review of the Citizens Panel make up and then a large scale recruitment exercise to increase the panel size and to try and match the city's demographics more closely
- Consider further engagement with wider range of stakeholders for budget consultation
- Develop a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community
- Develop more permanent and usable feedback systems for services.

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

Vision 2025 is the council's vision for the five years to 2025 and forms the second phase of our Vision from 2017 to 2030. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses, and evidence from the Lincoln City Profile. 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

Although the plan was adopted in February 2020, little progress was made during 2020/21 due to the pandemic, although a number of key large projects did continue as soon as restrictions allowed. (e.g. Boultham Park restoration; De Wint Court build). Those projects that continued were monitored through their respective MEGA Boards. Whilst 2021/22 did not see full reinstatement of the five Strategic Priority Boards, further progress towards achieving projects was made and all Portfolio Holders covered this in their annual reports.

In late 2021 a full mid-term evidence based review of the Vision 2025 was conducted with the aim of reprioritising projects to include a number of new programmes aimed at supporting Lincoln residents in regaining their physical and mental health where it had been impacted by the pandemic. This member led review was consulted with residents, businesses and the voluntary sector in January/February 2022 and approved by Council in Late February 2022.

#### **Activity within Principle C in 2021/22:**

- Approval of the MTFS which is a financial representation of the council's Vision 2025
- Ongoing development for embedding sustainability over the next 3 to 5 years including the appointment of a full time Climate Change Manager.
- Mid-term review of Vision 2025 to support the recovery of the city, the health of its residents, the council economically and ensure community support approved February 2022
- One Council programme development in the IT areas, accelerated as a need to respond to Covid-19, resulting in roll out of appropriate electronic kit to all staff
- Key partner in Infrastructure Recovery Cell covering Lincolnshire, which includes housing, to ensure infrastructure is in place enabling growth plans to be implemented
- Following successful bid for £19m Town's funding – the development of a work programme and a new Town Deal Board to monitor progress
- Revised Environmental Policy approved September 2021
- Decarbonisation Strategy and Action Plan approved December 21
- Affordable Warmth Strategy approved
- A one-year Housing Business Plan approved for 2022/23
- Full update of the Lincoln City Profile conducted to provide an evidence base for decisions

#### **Proposed activity for the coming year:**

- Re-energised implementation on the place strategy for Park Ward/Sincil Bank, highlighted as an area for regeneration following delay as a result of Covid-19.
- Public communication of the next phase of the three-year Vision 2025 Delivery Plan
- A 30 year Housing Business Plan to be developed for the period 2023 – 2053
- Census data to be audited for accuracy and then included in the new City profile

### **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 2021/22 were not completed, work has continued to ensure robust service management during 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 2021/22:**

- TFS programme delivered the required MTFS savings target
- Development of One Council through the four pillars – Organisational Development, Creating Value Processes, Use of Assets and Technology
- Office 365 pilot extended to a full roll out to all staff with laptops/desktops
- Technology introduced to adapt to COVID-19
- Review of team workstyles to understand and distribute appropriate technology
- Refreshed infrastructure platform
- Housing repairs online pilot progressed – to enable booking of repairs online.
- A review of My-Info has been completed resulting in a recommendation for a new system

**Proposed activity for the coming year:**

- Deliver a five year ICT Strategy
- Deliver a new IT Disaster Recovery Plan
- My Info replacement system to be procured in 2022/23
- Establish micro-sites for key services, e.g. Xmas Market, Building Control, Visitor services.
- Identify top 10 interactions with customers and move to online forms where possible to take pressure off contact centre.

## **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 2025 objectives.

**Activity within Principle E in 2021/22:**

- HR policies relating to home working have been reviewed with training delivered to managers and team leaders
- Continued regular HR line management briefings
- Weekly briefings from Chief Executive continued through key pandemic stages and whilst now reduced in frequency, still cover any important changes/updates on a monthly basis
- Development of One Council pillars – Organisational Development and Create Value Processes, including rolling out Office 365 and remote working and introduction of Microsoft Teams for all staff on a planned roll out basis
- Review of space at City hall and Hamilton House to support new ways of working
- Citizens Advice service has been brought into the main building with offices on the 1<sup>st</sup> floor next to reception areas

**Proposed activity for the coming year:**

- Needs analysis to be completed on Leadership Development

- Ongoing review of space at City Hall and Hamilton House. This will also include community centres and other buildings
- One Council organisational Pillar to review whether any new issues arise from Covid-19 that need to be addressed either temporarily or more permanently using feedback from the annual staff survey.

### **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 2021/22:**

- TFS programme delivered the required MTFS savings target
- Progression of One Council activities – the Creating Value Processes programme
- The External auditor issued an unqualified opinion on the authority's final statement of accounts and Value for Money conclusion
- Strong response to the financial situation caused by covid-19 including, ensuring strong financial management to make sure that we manage public funds correctly, e.g. refreshed MTFS incorporating short and longer term financial impacts of Covid19, enhanced TFS programme and careful use of reserves and balances,.
- Review of the Value for Money Statement
- Re-enforcement of the revised CIPFA Financial Management Code
- Internal Audit conducted on Risk – which achieved substantial assurance
- A review of value for money arrangements to ensure requirements of the new external audit VFM assessment are met was completed

#### **Proposed activity for the coming year:**

- Review of the Financial Procedure Rules
- Review of Contract Procedure Rules
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
- Review contaminated land inspection strategy
- Reinstatement of monthly Vision Priority meetings
- Implementation of new agreed action plan to ensure compliance with the CIPFA Financial Management Code
- 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
- A review of the Corporate Procurement Bill to accommodate the new procurement green paper, which is going through the legal/parliamentary process

### **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 2021/22:**

- A further review of the Code of Corporate Governance has been conducted in January 2022, taking it back onto its 'normal' schedule
- Data transparency requirements were met for the year
- A review of the Data transparency website page was conducted to improve visibility
- Data accessibility has been pushed to ensure public documents are properly accessible
- There was a full review of the targets in late 2021 with the aim of providing consistent and SMART targets for the 2022/23 year
- Progress made on defining "Significant Partnerships" and assurances on each of these

**Proposed activity for the coming year:**

- Review of Lincoln Performance Management Framework
- Further development of the performance management system
- Reinstatement of monthly Vision Priority meetings and thus the annual reports to committee

## 2. Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2021/22 through a review of the Council's Code of Corporate Governance (policies and processes) and the review process to develop the AGS and identify any significant issues, or other areas that may require monitoring. We took account of relevant governance audits, third party assurances, combined assurance work, committee reports, risk management, performance management, projects and partnership governance, Vision 2025/One Council, financial management, interviews with senior management and statutory officers.

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 2021/22 the Council was performing adequately across all areas. The audit plan was reduced in 2021/22 due to a temporary reduction in staff resources pending recruitment to the Internal Audit Manager role. However audits completed included governance, risk, financial control, ICT, Covid 19 risks, Projects as well as Combined Assurance, some of which were undertaken through the use of audit consultancy firms. Internal audit was involved in supporting Covid grants during 2021/22 and to help mitigate this there are external assurances in this area through central government, NFI data matching and external audit.

Supporting this assessment is the detailed work undertaken by Internal Audit during the course of the year as part of the Internal Audit plan and Combined Assurance work. Whilst this identified some agreed actions none were considered significant enough to highlight as potential AGS significant governance issues.

There were two areas of combined assurance assessed as red; however, these risks are being managed – these were not considered significant governance issues. There were several Amber areas; one of these areas - IT DR was a 19/20 significant issue.

As at March 2021 there were a number of high priority audit recommendations both made and outstanding. Outstanding agreed actions were in respect IT security, risk management, information governance, service-related actions. Progress towards addressing these recommendations will be monitored through existing monitoring arrangements and as part of the review of the AGS none were considered significant governance issues.

## The CIPFA Financial Management Code 2019 (FM Code)

In December 2019, Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.

CIPFA acknowledged the additional extraordinary burdens faced by local authorities due to Covid19 and reflected on the extent to which was appropriate to introduce a new FM Code for 2021/22. It concluded that while the first full year of compliance would remain as 2021/2022, this would be within a more flexible framework where a proportionate approach would be encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel. Full details are reported to Audit Committee on an annual basis.

CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement should now include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. An assessment against the FM Code has been completed and the CFO reported the findings to Audit committee 22 March 2022.

The actions arising from this updated assessment (which incorporates those outstanding from 2020/2) are as follows:

- Continue to support professional development
- Review Financial Procedure Rules
- Review Contract Procedure Rules
- Undertake Assessment against Head of Internal Audit requirements
- Assess outcome of external quality assessment of Internal Audit and develop action plan
- Implementation of Finance Business Partnership approach
- Implement revised MRP policy, if required by DHLUC
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
  - Consider further engagement with wider range of stakeholders for budget consultation
  - Consider if other major balance sheet items can be made more visible in quarterly reporting.

### 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 2020/21

The council has regularly monitored its 2020/21 significant governance issues through senior management and the Audit Committee during 2021/22. Two issues were 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 had been completed. Also the introduction of an alternative site at Hamilton House for data security has been implemented. However, COVID-19 has made such an impact to both the short and possibly long term working arrangements of the council, that it is felt that this issue should not be removed from the list of significant issues – but instead should remain with a revised focus on what the required outcome needs to be, including a review of the expectations of our IT recovery and resource needs to meet the agreed BC plan needs

### **THIS ISSUE WILL REMAIN – but with a revised aim and action plan**

- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19.** A decision was taken in Q3 2021/22 that rather than prepare a one year delivery plan for the Vision 2025 – a full mid-term review would be undertaken. This would allow members to incorporate new aspects affecting the city following the pandemic – such as the mental and physical health of our residents, and consideration of business needs. A full consultation was undertaken as part of this process with residents, businesses and voluntary services contacted to understand their views on priorities. This has resulted in a new three-year plan which was approved in February 2022 by Council and is available on the council website. By the end of March 2022, priorities will have been built into Service Plans.

### **THIS ISSUE HAS ALREADY BEEN APPROVED AS TURNING TO GREEN STATUS DUE TO THE LEVEL OF PROGRESS – SO WILL NOT FEATURE IN THE NEW AGS SIGNIFICANT ISSUES**

## **5 Significant governance issues identified from 2021/22**

### **New significant issues identified from 2021/22**

There were no NEW significant issues identified, but as noted above, there will be a revised focus on one of the previous year's issues. A new action/monitoring plan will be drawn up for monitoring purposes.

## **7 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**



Cllr R Metcalfe, Leader:

**Date: 7<sup>th</sup> July 2022**



Angela Andrews, Chief Executive:

**Date: 7<sup>th</sup> July 2022**

## 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.

**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 (PWLb)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

**RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**RELATED PARTIES**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**STOCKS**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.

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**SUBJECT: REVIEW OF THE CONSTITUTION – FINANCIAL PROCEDURE RULES**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER**

## **1. Purpose of Report**

- 1.1 To present to the Audit Committee the revised Financial Procedure Rules for consideration and recommendation for adoption by Council.

## **2. Executive Summary**

- 2.1 The Financial Procedure Rules provide a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972.
- 2.2 The last fundamental review took place in 2018, as approved by Council on 10<sup>th</sup> April 2018. There have been further amendments to document since that time.
- 2.3 The Financial Procedure Rules state that they must be reviewed at least every 3 years. The scheduled review in 2021 was delayed due to impact of the Covid19 pandemic. The Rules have been reviewed to ensure they reflect best practice and for any amendments required in relation to changes in the environment in which the Council operates.

## **3. Background**

- 3.1 The Financial Procedure Rules are intended to provide a framework of rules and procedures within which the Council will conduct its financial affairs. The Financial Procedure Rules lay down the principles to be followed in securing a proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.
- 3.2 The last fundamental review of the Financial Procedure Rules was undertaken in 2018 following a major review, and were updated to reflect accounting regulations, legislation and best practice in force at that time. Since that time, they have not been subsequently updated.
- 3.3 Regular review of the Financial Procedure Rules should ensure that they remain robust and relevant to the current organisational environment and in line with best practice, as identified in the CIPFA Code of Financial Management.

## **4. Financial Procedure Rules**

- 4.1 The revised Financial Procedure Rules (Appendix A) have been compiled using the existing rules but also from comparison against other authorities, assessed

against the requirements of the CIPFA Code of Financial management and in accordance with changes in accounting regulations and practices.

4.2 Key changes from the existing Financial Procedure Rules have been highlighted in the appendix in yellow, with those parts to be removed shown as struck through. The main changes include:

- the inclusion of external audit requirements and the arrangements for appointment of external auditors (section 3)
- financial planning arrangements including further detail on the budget and financial planning process with financial approval limits now include in a new Part B of the Rules to provide further clarity and ensure the document is user friendly (section 4)
- financial management arrangements including the inclusion of key principles and the removal of the detail of financial approval limits, which have now been included in the new Part B of the Rules (section 5)
- further clarity of the roles and responsibilities for orders and payments for works, goods and services including the introduction of a new section on officer responsibilities in relation to contracts for works, goods and services (section 6)
- external arrangements including further detail on officer responsibilities in relation to external funding (section 10)

As part of the Financial Procedure Rules a new part, Part B Financial Approval Limits, has now been included. This is intended to include the key elements of the Rules that have specific approval limits attached to them, into a shorter, clearer document. This should provide clarity for Elected Member and Officers as to the approval processes for decisions and is also intended to be in a more user-friendly format than the main Rules. This document has been compiled from the relevant approval limits in the current version of the Rules, where any changes are proposed these are also highlighted in yellow.

4.3 Specific changes to delegations and limits are;

<b>Procedure Rule</b>	<b>Current</b>	<b>Proposed</b>
Part B 1.2A	All new capital budget approvals, outside of the annual budget process, require the approval of the Executive	For new capital schemes, that have no revenue implications e.g. fully grant funded, up to £100,000 to be delegated to the Chief Finance Officer.
Part B 3.2A	The approval of the write off of debts up to £5,000 is delegated to all Assistant Directors in the Chief Executive Directorate	In addition to the current delegations, the Assistant Director: Housing to be delegated to approve the write off of tenant arrears up to £5,000.

- 4.4 The key theme in these changes has been to ensure that officers have the flexibility required in order to respond to the environment in which the Council operates, whilst still ensuring that a sound system of internal control is maintained.

## **5. Strategic Priorities**

- 5.1 Keeping the Council's Financial Procedure Rules under regular review and up to date is an element of sound corporate governance.

## **6. Organisational Impacts**

- 6.1 Finance - There are no direct financial implications from the adoption of these rules although the framework that they provide is a key consideration when managing the financial affairs of the whole organisation.

- 6.2 Legal Implications including Procurement Rules - The Council is required under Section 151 of the Local Government Act to ensure that it makes arrangements for the proper administration of its financial affairs. These rules lay down the principles to be followed to secure that proper administration.

- 6.3 Equality, Diversity and Human Rights

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

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

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

Due to the nature of the report, no specific Equality Impact Analysis is required.

## **7. Risk Implications**

- 7.1 The review of the Financial Procedure Rules will ensure that the Council continues to have effective arrangements in place to maintain a sound system of internal control whilst giving Officers and Elected Members the flexibility to deliver services.

- 7.2 The Rules provide guidance and general advice to Officers and Elected Members as to their responsibilities and as such, they are a means of mitigating risk and controlling financial behaviour within the Council.

## **8. Recommendation**

8.1 That the Audit Committee comment on the revised Financial Procedure Rules.

8.2 That the Audit Committee recommends to Council for approval;

i) the revised Financial Procedure Rules (Appendix A);

**Is this a key decision?**

Yes

**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?**

Yes - one

**List of Background Papers:**

None

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## **FINANCIAL PROCEDURE RULES**

### **CONTENTS:**

#### **PART A**

##### **1. Introduction**

- 1.1 Status of Financial Procedure Rules
- 1.2 General Roles and Responsibilities

##### **2. Accounting Arrangements**

- 2.1 Accounting Arrangements
- 2.2 Accounting Records
- 2.3 Accounting Systems and Procedures
- 2.4 Directorate Financial Management Arrangements
- 2.5 Annual Statement of Accounts
- 2.6 Trading Accounts

##### **3. Audit Arrangements**

- 3.1 Internal Audit
- 3.2 External Audit

##### **4. Financial Planning**

- 4.1 Introduction
- 4.2 Principles
- 4.3 The Budget and Policy Framework
- 4.4 Medium Term Financial Strategy and Budget Preparation
- 4.5 Budget Preparation
- 4.6 Revenue Budget
- 4.7 Housing Revenue Account and 30 Year Business Plan
- 4.8 Capital Strategy and Programme
- 4.9 Treasury Management Strategy
- 4.10 Fees and Charges
- 4.11 Maintenance and Use of Reserves and Provisions

##### **5. Financial Management**

- 5.1 Principles
- 5.2 Budgetary Control
- 5.3 Revenue Budget Management
- 5.4 Exceptional Supplementary Budget Estimates
- 5.5 Transferring Financial Resources Between Revenue Budget Heads In Year
- 5.6 Carry Forward of Revenue Budgets from One Year to the Next
- 5.7 Capital Budget Management
- 5.8 Transferring Financial Resources Within Capital Schemes
- 5.9 In Year Movement of Reserves and Balances
- 5.10 Reporting

##### **6. Expenditure**

- 6.1 Authorisation and Certification
- 6.2 Contracts for Works, Goods and Services

- 6.3 Orders for Works, Goods and Services
- 6.4 Payment of Accounts
- 6.5 Payment for Salaries and Wages
- 6.6 Payments of Officer's Travel and Subsistence
- 6.7 Payment to Member's or Independent Persons for Travel, Subsistence and Allowances

**6.8 Transparency**

**7. Income**

- 7.1 Fees and Charges
- 7.2 Collection of Income
- 7.3 Writing off **Bad** Debts

**8. Taxation**

**9. Resources and Asset Management**

- 9.1 Banking Arrangements
- 9.2 Investments, Borrowings and Trust Funds
- 9.3 Floats and Imprest Accounts
- 9.4 Unofficial Funds
- 9.5 Asset Registers and Inventories
- 9.6 Stocks and Stores
- 9.7 Disposal of Items of Inventory, Stocks and Stores
- 9.8 Acquisition and Disposal of Land and Buildings
- 9.9 Procedure for Disposal by Public Tender
- 9.10 Insurances

**10. External Arrangements**

- 10.1 Partnerships
- 10.2 External Funding
- 10.3 Providing Services to Third Parties

**11. Local Authority Companies**

**PART B**

**Financial Approval Limits**

## **PART A – FINANCIAL PROCEDURE RULES**

*Revised July 2022*

### **1. INTRODUCTION**

#### **1.1 Status of Financial Procedure Rules**

1.1.1 Financial Procedure Rules lay down the principles to be followed in securing a proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.

1.1.2 These Procedure Rules shall be read in conjunction with the Council's;

- i) Responsibility for Functions (Constitution Part 3)
- ii) Contract Procedure Rules (Constitution Part 4)
- iii) Budget and Policy Framework Procedure Rules (Constitution Part 4)

1.1.3 These Procedure Rules apply to every Member and officer of the Council and anyone, including consultants, acting on its behalf.

1.1.4 These Financial Procedure Rules shall apply in relation to any partnership for which the Council is the accountable body unless the Council expressly agrees otherwise.

1.1.5 These Procedure Rules are supplemented by other related documents, issued by the Chief Finance Officer, which are designed to give guidance, including operational financial instructions. In the event of contradiction, the Financial Procedure Rules take precedence.

1.1.6 Financial Procedure Rules shall not override any statutory provisions that apply.

1.1.7 Financial Procedure Rules will be reviewed by the Chief Finance Officer at intervals of not more than three years and will be subject to approval by the full Council.

1.1.8 Failure to comply with these Procedure Rules or instructions issued under them will be subject to consideration as a disciplinary offence. Breaches of these Procedure Rules must be reported to the Chief Finance Officer and Internal Audit, who will be responsible for investigating the circumstances and recommending the further action to be taken.

#### **1.2 General Roles and Responsibilities**

1.2.1 These Financial Procedure Rules set out the roles and responsibilities of the Council and officers in financial matters. They should be read in conjunction with the Constitution, specifically Article 13, which details other specific responsibilities.

##### **Full Council**

1.2.2 The full Council is responsible for approving the overall Budget and Policy Framework within which the Executive operates having regard to the Chief Financial Officer's comments in his/her Local Government Act 2003 Section 25 report. The

budget setting process includes the setting of the Council Tax and Housing Rent levels to be levied, and the approval of the Prudential Indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.

- 1.2.3 The full Council approves these Financial Procedure Rules.

### **The Executive**

- 1.2.4 The Executive is responsible for proposing the Budget and Policy Framework to full Council, and for discharging executive functions in accordance with that framework.

- 1.2.5 The Executive monitors financial performance and service performance and makes changes, within the Budget and Policy Framework to ensure the budget is met or met within the limits determined by the Council.

### **Chief Finance Officer (Section 151 Officer)**

- 1.2.6 Section 151 of the Local Government Act 1972 requires the Council to appoint a suitably qualified person to be responsible for the proper planning, administration and monitoring of its financial affairs. The Chief Finance Officer fulfils this statutory role.

- 1.2.7 The Chief Finance Officer is responsible for:

- i) the proper administration of the authority's financial affairs;
- ii) setting and monitoring compliance with financial management standards;
- iii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- iv) providing financial information;
- v) preparing the Medium Term Financial Strategy including the Revenue Budget and Capital Programme;
- vi) reporting to the Council on the robustness of the annual budget and the adequacy of the Council's financial reserves and balances
- vii) Treasury Management.
- viii) the preparation of the Annual Statement of Accounts in accordance with proper practices
- ix) ensuring the Council, Executive, Members and Chief Officers are advised of the financial implications of all proposals as appropriate.

- 1.2.8 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to full Council, the Executive and the External Auditor if he/she considers the Council, the Executive or an officer has made or is about to;

- i) make a decision involving expenditure or a loss which is or would be unlawful,
- ii) take an unlawful action which has resulted in or would result in a loss or deficiency to the Council or;
- iii) make an unlawful entry in the Council's accounts

Before making any report to the Council or the Executive the Chief Finance Officer shall consult the Chief Executive (Head of Paid Service) and the City Solicitor



**(Monitoring Officer).**

- 1.2.9 The Chief Finance Officer also has a duty under Section 25 of the Local Government Action 2003 to report to the Council on;
- i) the adequacy of the proposed reserves,
  - ii) the robustness of the budget
- 1.2.10 In order to carry out these responsibilities;
- i) the Council must provide the Chief Finance Officer with sufficient resources,
  - ii) the Council recognises the Chief Finance Officer as its principal financial adviser with access to all meetings as he/she considers necessary (including the right to be heard),
  - iii) the Council recognises that neither it, nor any committee, Member or officer can require the Chief Finance Officer to breach any of his/her statutory duties.
- 1.2.11 The Council is also required by section 114 of the 1988 Act to have a designated deputy, currently the Financial Services Manager, to carry out these functions.

**Chief Officers**

- 1.2.14 The term, “Chief Officers”, refers to the Council’s Chief Executive and the Strategic Directors.
- 1.2.15 Chief Officers are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy.
- 1.2.16 Chief Officers are responsible for the overall arrangements within their Directorates and that due regard is given to compliance with the requirements of these Procedure Rules.

**Assistant Directors**

- 1.2.17 Assistant Directors are responsible for bringing these Procedure Rules and related documents to the attention of staff, for highlighting aspects of particular relevance to certain staff and for disseminating related documents including financial instructions as appropriate.
- 1.2.18 Assistant Directors are responsible for the accountability and control of staff and the security, custody and control of all other resources including buildings, furniture, equipment, stocks, stores, cash and other valuable resources or assets used by their service.

**All Officers**

- 1.2.19 All officers are responsible for ensuring that all actions they perform comply with the requirements placed upon them by the Council. They must also ensure that actions

they take are properly authorised and within the sphere of responsibility their post possesses.

- 1.2.20 All officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and ensuring that the use of these resources and assets is legal, is consistent with Council policies and priorities and provides value for money.
- 1.2.21 All officers must report to a Chief Officer, the Chief Finance Officer or Internal Audit any occasions where they believe that these Procedure Rules, Contract Procedure Rules, Council policy or financial instructions are not being followed, or where Council resources or assets are at risk.

### **Other Responsibilities**

- 1.2.22 Chief Officers and Assistant Directors are required to carry out their tasks in accordance with these Procedure Rules. These officers may authorise other officers to carry out tasks for which they have responsibility as set down by these Procedure Rules.
- 1.2.23 Chief Officers have the same rights and responsibilities as Assistant Directors for any matters falling under their direct management.

## **2. ACCOUNTING ARRANGEMENTS**

### **2.1 Accounting Arrangements**

- 2.1.1 Subject to statutory requirements, all accounting procedures and records of the Council and its officers shall be determined by the Chief Finance Officer.
- 2.1.2 The Chief Finance Officer may issue detailed financial instructions on any aspect of accounting procedures and records to be applied generally or to specific departments or functions.

### **2.2 Accounting Records**

- 2.2.1 The Chief Finance Officer shall be responsible for keeping the principal accounts and financial records of the Council.
- 2.2.2 The Chief Finance Officer shall ensure the safe retention of all accounting records, including paid invoices and certificates, for as long as may be statutorily required, currently 7 years for prime records such as invoices and 3 years for budget records.
- 2.2.3 All Directorate financial procedures and records shall be complied and maintained in accordance with such direction given by the Chief Finance Officer.
- 2.2.4 Assistant Directors must ensure that a complete audit trail, allowing financial transactions to be traced between accounting records and original documents, is maintained.

### **2.3 Accounting Systems and Procedures**

- 2.3.1 Assistant Directors shall consult with and must obtain permission from the Chief Finance Officer before introducing, amending or discontinuing any system, record or procedure that relates to any area covered by these Procedure Rules.

### **2.4 Directorate Financial Management Arrangements**

- 2.4.1 Chief Officers are responsible for the operation of financial processes within their Department and in consultation with the Chief Finance Officer shall ensure adequate controls are in place.

### **2.5 Annual Statement of Accounts**

- 2.5.1 The Chief Finance Officer should ensure that the Council's accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, for each financial year ending 31<sup>st</sup> March and the CIPFA Service Reporting Code of Practice and prepared, published and audited in accordance with the Accounts and Audit Regulations 2003, or any subsequent Regulations.
- 2.5.2 The Chief Finance Officer is responsible for selecting the Council's accounting policies, including any change to these policies and ensuring that they are applied accurately and consistently.

## **2.6 Trading Accounts**

- 2.6.1 The Chief Finance Officer will advise on the establishment and operation of trading accounts. Each trading account will have defined objectives, including the way in which surpluses or deficits will be dealt with.
- 2.6.2 Assistant Directors will observe all statutory requirements in relation to services that maintain trading accounts, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce suitable information for the statutory disclosure in the Statement of Accounts.
- 2.6.3 Assistant Directors will ensure that the same accounting principles are applied in relation to trading accounts as for other services unless, in the opinion of the Chief Finance Officer, arrangements which are more advantageous to the Council are permissible.

### 3. AUDIT ARRANGEMENTS

#### 3.1 Internal Audit

3.1.1 The Accounts and Audit Regulation 2015 require that a, “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems and review its effectiveness on an annual basis.” The Authority’s Internal Audit function fulfils this role.

3.1.2 ~~Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom, published by CIPFA and with Terms of Reference approved by the Council and included with the Audit Committee’s Terms of Reference, again also approved by the Council.~~

Internal Audit operates in accordance with the Public Sector Internal Audit Standards and as set out in the Internal Audit Charter, as approved by the Council.

3.1.3 The Internal Audit Manager (Head of Internal Audit) ~~Internal Audit~~ shall review, appraise and provide assurances on (and report to the Audit Committee or Executive if deemed necessary) the following matters;

- i) the soundness, adequacy and application of internal controls;
- ii) the extent to which the Council’s assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance, inefficient administration, poor value for money or other cause;
- iii) the suitability and reliability of financial and other management information used within the Council,
- iv) the extent of compliance with, and the effectiveness of, relevant policies, plans and procedures.
- v) Assistant Directors self-assessments of the status of the governance framework, including systems of internal controls in place, for each of their service areas.

3.1.4 In pursuance of their duties Internal Audit shall have the authority under the Accounts and Audit Regulations to;

- i) access/enter at all reasonable times any Council premises or land;
- ii) have access to all assets, records, documents, minutes. Correspondence and control systems relating to any aspect of the Council;
- iii) require and receive such information and explanations as are necessary concerning any matter under examination;
- iv) require any employee of the Council to produce cash, stores, or any other Council property under his/her control;
- v) request access to records belonging to third parties, such as contractors and partners,
- vi) have full and free access to all officers, Members and Committees.

3.1.5 Whenever a matter arising out of any audit activity, or otherwise, comes to the attention of Internal Audit and this reveals, or suggests, the possibility of any irregularity, the Internal Audit Manager shall consult immediately with the Chief Finance Officer and City Solicitor, to determine the nature of any action to be taken

and to effect compliance with these Procedure Rules.

- 3.1.6 The effectiveness of a continuous Internal Audit shall be reported to the Audit Committee annually on a regular basis, and at least every two years. ~~and as appropriate the results of audit reviews, which are deemed of interest, in accordance with the CIPFA code of audit practice~~ The results of External Quality Assessments of Internal Audit will also be reported to the Audit Committee.

### **3.2 External Audit**

- 3.2.1 The appointment process for the Council's External Auditors will be recommended by the Audit Committee to the full Council. The basis duties of the external auditor are governed by Part 5 of the Local Audit and Accountability Act 2014
- 3.2.2 The External Auditors and other statutory inspectors must be given reasonable access to premises, personnel, documents and assets that it is considered necessary for the purposes of their work. Regard must be given to sensitivity of data though, and if there is any doubt about whether it is appropriate to provide such data to the external auditor or other statutory inspector, advice should be sought from the Chief Finance Officer.
- 3.2.3 The Section 151 Officer must be consulted upon and approve arrangements to commission external auditors to undertake audit of any statutory grants whereby the awarding body requires an independent audit to be undertaken e.g., Housing Benefit Subsidy, Homes England Compliance.

## **4. FINANCIAL PLANNING**

### **4.1 Medium Term Financial Strategy and Budget Preparation (Revenue and Capital, including the Housing Revenue Account).**

4.1.1 The procedure for the preparation of the Medium Term Financial Strategy, revenue estimates and capital programme will be determined each year by the Chief Finance Officer. This procedure will be consistent with any direction given by the Executive which shall fulfil all statutory requirements.

4.1.2 Assistant Directors shall prepare estimates of revenue expenditure and income for all of the Council's services and estimates for the capital programme in accordance with the directions issued by the Chief Finance Officer.

4.1.3 The Chief Finance Officer shall collate the revenue and capital estimates and present them to the Executive together with the Medium Term Financial Strategy as part of the Budget and Policy Framework process. The Medium Term Financial Strategy will provide a five year forward assessment (for the next budget year and the four following years) of the revenue estimates based on present levels of service and efficiency but reflecting also decisions taken on new commitments and the budgetary impact of savings programmes. This plan should highlight total net expenditure (after income for fees and charges) on services and on financing costs, shown separately to make the implications explicit and in accordance with government guidelines.

4.1.4 The Executive shall consider the aggregate effect of these estimates and programmes on the Council's financial resources and, after consultation on proposed amendments, shall submit them to the full Council for approval, on or before the statutory date each year, together with a recommendation for the Council Tax and Housing Rent Levels to be levied for the following year, having determined the supporting resources to be used.

### **4.1 Introduction**

4.1.1 The Council is responsible for agreeing the Council's Corporate Plan, Budget and Policy Framework that will be proposed by the Executive, to a Council Meeting for approval.

4.1.2 In terms of financial planning, the key elements of the budget are:

- Medium Term Financial Strategy
- Annual General Fund Revenue Budget
- Housing Revenue Account Budget and 30-year Business Plan
- Capital Strategy and Programme
- Treasury Management and Investment Strategy
- Fees and Charges

### **4.2 Principles**

4.2.1 The purpose of Finance Planning is to set out and communicate the Council's financial objectives, resource allocations and related performance targets, and to provide an agreed basis for subsequent management control, accountability and

reporting.

- 4.2.2 The Council's Medium Term Financial Strategy represents a multi-year financial strategy that identifies the medium to long term financial implications for the organisation in delivering the Council's priorities.
- 4.2.3 The Council's budget sets agreed parameters around resource allocations (budgets) for delivery of the annual activities and functions of council services and is constructed within the context of a medium-term financial strategy.
- 4.2.4 Budgets enable the Council to plan, authorise, monitor and control the way money is allocated and spent to achieve the Council's objectives.
- 4.2.5 It is unlawful for the Council to budget for a deficit, meaning that expenditure proposed to be incurred in a financial year should not exceed the resources available to it to meet that expenditure. Section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report to Full Council, Executive and the external auditor if the Council or one of its officers has made, or is about to make, a decision which involves incurring unlawful expenditure.
- 4.2.6 The capital programme sets out the resource allocations to be made to capital schemes. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the organisation, such as land, buildings, major items of plant, equipment and vehicles. There are some exceptions to this definition for items such as REFCUS (revenue expenditure funded from capital under statute) and some external capital schemes such as Disabled Facilities Grants.

### **4.3 The Budget and Policy Framework**

- 4.3.1 Full Council is responsible for agreeing the policy framework and budget, which will be recommended by the Executive.
- 4.3.2 The overall annual budget requirement and capital programme is recommended by the Executive and approved by Full Council. Assistant Directors and their Budget Holders are subsequently authorised to incur expenditure in accordance with the estimates that make up the budget. Subject to any further decisions being made as consistent with the Council's decision making requirements and governance framework necessary before the expenditure is incurred.

### **4.4 Medium Term Financial Strategy**

- 4.4.1 The Medium Term Financial Strategy (MTFS) manages council finances within the context of a forward looking rolling business planning framework. The MTFS should set out issues likely to affect the financial position of the Council over the medium term.
- 4.4.2 The Chief Finance Officer is responsible for ensuring that the Council's MTFS, which should include the Capital Strategy and Treasury Management Strategy, is updated each year.



- 4.4.3 Assistant Directors are responsible for contributing to the development of the MTFS.
- 4.4.4 The Executive is responsible for recommending the MTFS to be approved by Full Council.
- 4.5 Budget Preparation**
- 4.5.1 Budgets ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- 4.5.2 The annual budget will include allocations to different services and projects, proposed taxation levels and contingencies.
- 4.5.3 Detailed budgets, as proposed by Assistant Directors, will be subject to challenge and review through a process determined by the Chief Finance Officer. Any proposed changes to service levels as a result of budget plans will be subject to an Equalities Impact Assessment as part of the consideration process before approval and implementation. The Council will engage partners in the budget preparation process where possible and appropriate.
- 4.5.4 The Chief Finance Officer has a statutory duty to report upon the budget proposals presented to Full Council. Assistant Directors must provide the Chief Finance Officer with any information required to enable the robustness of the budget proposals to be assessed.
- 4.5.5 The budget and the implied level of taxation will be presented for approval by Full Council, following recommendation by the Executive. Council Tax and Housing Rent levels must be set, on or before the statutory date each year.
- 4.5.6 The Chief Finance Officer will issue guidelines on budget preparation to Assistant Directors.
- 4.5.7 Assistant Directors must prepare detailed draft revenue and capital budgets, in consultation with the Chief Finance Officer and in accordance with the guidance and timetable.
- 4.6 Revenue Budget**
- 4.6.1 Revenue income and expenditure represents the current or day to day running costs, and associated receipts, of the Council; including salaries, heating and lighting, office expenses, income raised by charging service users and government grants.
- 4.6.2 Budgets ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- 4.6.3 The Chief Finance Officer is responsible for ensuring that a Revenue Budget is prepared on an annual basis and a General Revenue Plan on a medium-term basis for consideration by the Executive, before submission to a Council Meeting.
- 4.6.4 It is the responsibility of Assistant Directors to ensure that Departmental Budgets reflect the agreed Corporate Plans and Service Plans and are submitted to the Chief

Finance Officer and that these budgets are prepared in line with guidance issued by the Chief Finance Officer.

## **4.7 Housing Revenue Account and 30 Year Business Plan**

**4.7.1** The Housing Revenue Account (HRA) is a ring-fenced account for council dwellings & hostels income and expenditure which is required to be in a break even position. The Local Government and Housing Act 1989 Section 76 requires Local Authorities with an HRA to set a budget for the account that avoids the account being in an overall deficit. Due consideration is given to both capital and revenue expenditure as well as rent setting levels.

**4.7.2** The service Chief Officer is responsible for preparing the HRA Budget and business plan in consultation with the Chief Finance Officer. The service Chief Officer must ensure that the budget proposed (revenue and capital) is affordable within the overall HRA resources.

## **4.8 Capital Strategy and Programme**

### **Overview**

**4.8.1.** The Council's Capital Programme will be developed in accordance with the Council's Capital Strategy, Treasury Management Strategy and financial instructions. The strategy will ensure that capital investment (General Fund and Housing Revenue Account) is targeted to achieve best value and maximum effect on priorities, needs and outcomes for local communities.

### **Capital Strategy**

**4.8.2** The Council is required by the CIPFA Prudential Code for Capital Finance (2017) to agree a capital strategy when developing the capital programme. The capital strategy sets out the long-term context in which capital investment decisions are made and the governance for those decisions

**4.8.3** It is a framework for allocation and management of capital resources within the Council, which take account of council's key priorities in the Corporate Plan. It forms a key part of the Council's integrated revenue, capital, and balance sheet planning with a view towards deliverability, affordability, and risk

**4.8.4** It supports the development of a capital programme that is affordable, prudent, and sustainable whilst giving due consideration to risk, reward and delivery of the council's business plan. The strategy improves holistic financial management and both informs and forms part of the budget process.

**4.8.5** Both the Treasury Management Strategy and Capital Strategy are required to comply with the Prudential Code. Whilst the Capital Strategy sets out the framework in which investments should be taken the Treasury Management Strategy sets the Council's financing requirements.

**4.8.6** The Chief Finance Officer is responsible for ensuring that all relevant prudential indicators (as set out in the CIPFA Prudential Code for Capital Finance) are taken account of within the capital programme. The Chief Finance Officer is also

responsible for ensuring that the capital programme informs the treasury management strategy and Minimum Revenue Provision policy.

### **Capital Expenditure**

- 4.8.7 Capital spend is expenditure incurred in acquiring, constructing or enhancing physical assets such as buildings, land, vehicles, plant and machinery that have an estimated useful asset life in excess of one year.
- 4.8.9 The Council applies a de-minimis level of £10,000.
- 4.8.10 Where expenditure qualifies to be supported by capital grant and in accordance with relevant funding conditions, the Chief Finance Officer may consider suspending applying the de-minimis rule in this circumstance.
- 4.8.11 Where expenditure meets the 'capital expenditure' definition and is in excess of the Council's de-minimis limits, it will be classified as capital expenditure, even if provision exists within the Revenue Budget to fund the work (and vice versa).
- 4.8.12 Similarly, where specific financing (e.g. government grant) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, the accounting treatment is determined according to the type of expenditure, and not by the funding source.

### **Capital Programme**

- 4.8.13 The Capital Programme is agreed annually by the Full Council and provides in principle support for individual projects funded from General Fund and Housing Revenue Account.
- 5.6.2 Inclusion of an initial provision in the Capital Programme provides authorisation to carry out feasibility studies, outline design and application for planning consent (where required) provided the resources have been identified within the approved budget.
- 4.8.14
- 5.6.3 Before a capital scheme for which provision is made in the Capital Programme may proceed further i.e. to tender/commitment of expenditure, project documentation must be produced and agreed by the Project Sponsor and relevant Programme Board, in accordance with the Lincoln Project Management Framework, unless such documentation has been completed within the last 12 months prior to inclusion in the Capital Programme. If a period of 12 months has elapsed a revised project appraisal will be required to be approved by the Project Sponsor and the relevant Programme Board.
- 4.8.15
- 5.6.4 Where Assistant Directors wish to propose new capital schemes for inclusion, outside of the annual budget process, in the capital programme, they must first consult with the Chief Finance Officer who will determine the approach to be taken for approval of the proposal, as set out in Part B of this document. The proposals will need to be approved by the Executive and be in accordance with the Lincoln Project Management Framework, i.e. require the completion and approval of appropriate project documentation. This must include all applications for schemes to
- 4.8.16

be funded from Government sources, grants or other external funding.

5.6.5 In accordance with the Lincoln Project Management Framework all capital projects require a full financial assessment which must be approved by the Chief Finance Officer.  
4.8.17

5.6.6 Bids for external funding to support capital expenditure cannot take place until they have been approved by the Chief Finance Officer.  
4.8.18

5.6.12 Any proposal to amend an approved capital programme by deleting an approved scheme will require the approval of the Executive.  
4.8.19

### **Financing of the Capital Programme**

4.8.19 The Chief Finance Officer will determine the financing of the capital programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing.

## **4.9 Treasury Management Strategy**

4.9.1 Treasury management is a key area of effective financial management that underpins the Council's operational and strategic capital ambition.

4.9.2 The Chief Finance Officer will propose an annual Treasury Management Strategy, which includes:

- Updated Prudential Indicators prepared in accordance with the latest code of practices;
- Policy for making revenue provision for the repayment of debt referred as the 'Minimum Revenue Provision' Policy;
- Borrowing Strategy; and
- Investment Strategy.

4.9.3 These documents are required to comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant Regulations and with the Council's own Treasury Management Policy Statement and Treasury Management Practices; they will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

4.9.4 Further detail on treasury management is provided in Section 9.

## **4.10 Fees and Charges**

7.1.1 All fees and charges to be made for Council services shall be reviewed at least annually by the Assistant Directors, and in conjunction with Financial Services. Such fees and charges shall be submitted by the Chief Finance Officer to the full Council for approval as part of the Medium Term Financial Strategy.  
4.10.1

4.10.2 Further detail on fees and charges is provided in Section 7.

#### **4.11 ~~Reserves and Provisions~~ Maintenance and Use of Reserves and Balances**

~~4.2.1~~ The Chief Finance Officer is responsible for making recommendations to Executive and full Council on the adequate level of unallocated General Fund and Housing Revenue Account Reserves and any limitations or conditions on the use of such unallocated reserves. This recommendation will be based upon;

4.11.1

- i) the assessment of the robustness of the budget and adequacy of reserves under Section 25 of the Local Governance Finance Act,
- ii) the projected level of reserves for the year and in the medium terms compared to a risk assessment based on the budget risk register and corporate risk register,
- iii) an on-going assessment of the above.

~~4.2.2~~ The Chief Finance Officer is responsible for making recommendations, as part of the Medium Term Financial Strategy, to the Executive and full Council on the adequate level of specific provisions and earmarked reserves. Such recommendations shall include;

4.11.2

- i) a list of the various earmarked reserves and provisions,
- ii) the purposes for which they are held,
- iii) the estimated opening balances for the year, planned additions/withdrawals and estimated closing balances.

## **5. FINANCIAL MANAGEMENT**

### **5.1 Principles**

**5.1.1** Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework, revenue budget, capital programme and treasury management.

**5.1.2** All officers and Members have a duty to abide by the highest standards of probity in dealing with public money. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

**5.1.3** To ensure the Council does not exceed its overall budget, each service area is required to manage its own income and expenditure within the cash limited budgets allocated to them to be spent on agreed service activities and functions. The Council's approval of the revenue estimates constitutes authority to incur expenditure, subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.

### **5.1 Budgetary Control**

#### **5.2**

**5.2.1** Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

**5.2.2** By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.

**5.1.2** Assistant Directors will operate the services under their control in accordance with the policies of the Council and the finances made available and shall be accountable

**5.2.3** to the Executive for performance.

**5.1.3** Assistant Directors shall make arrangements to monitor and manage the budgets for which they are accountable and may designate budget holders who are empowered to commit budgets. Designation of budget holders below Service Manager level or Officers on a PO grade or above reporting directly into an Assistant Director or Chief Officer, requires the express consent of the Chief Finance Officer.

**5.2.4**

**5.1.3** Budget holders may delegate day to day responsibility for overseeing the budget and managing the service to budget operators but they retain the responsibility for ensuring the proper management of the Council's resources for their service areas and are responsible for economic, efficient and effective use of resources allocated to them. All budget holder and budget operator activities will be in-line with the

**5.2.5**

approved authorised signatory level for the authorisation of orders and invoices on the Council's financial system and variation/compensation events within contracts. Details of the financial approval limits are set out in Part B of this document.

Tier 1	Unlimited £	Chief Officers and Assistant Directors
Tier 2	Up to £50,000	Service Managers and Officers on PO grade or above that report directly into an Assistant Director or Director
Tier 3	Up to £10,000	Team Leaders or Officers below PO grade that report directly into an Assistant Director

5.1.4 The Chief Finance Officer shall maintain a list of the extent of authority of each authorising officer to authorise financial transactions. The list of authorising officers  
5.2.5 will be reviewed by Assistant Directors at least annually. The Chief Finance Officer should be notified of requests for changes in authorisation limits.

5.1.5 The Chief Finance Officer shall provide Assistant Directors and budget holders with appropriate financial information, support and advice to enable the revenue budget  
5.2.6 and capital programme to be monitored effectively.

5.1.6 The Chief Finance Officer shall monitor the arrangements made by Assistant  
5.2.7 Directors for implementing budgetary control and shall ensure an effective system of budgetary control is operated throughout the Council.

5.1.7 Assistant Directors shall consult with the Chief Finance Officer prior to submitting  
5.2.8 any report or statement to the Executive, Committee, Sub-Committee or Panel to ensure that the financial implications for either the revenue budget, capital programme or the overall finances of the Council contain the Chief Finance Officer views.

## 5.1 Revenue Budget Management

### 5.3

5.1.4 The inclusion of items in approved revenue estimates, as varied by a supplementary  
5.3.1 estimate or virement approved under these Procedure Rules, constitutes authority to incur expenditure and collect income, subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.

5.1.2 Assistant Directors and budget holders must regularly monitor (at least monthly but  
5.3.2 more frequently where necessary) actual income and expenditure against that budgeted for all services under their control and ensure that all budget targets are being achieved. As part of such monitoring, Assistant Directors and budget holders must;

- i) project likely future income and expenditure in order to identify immediately any potential over or under spends;

- ii) take corrective action without delay and, if action beyond their authority is required, report to their Assistant Director/Chief Officer immediately;
- iii) inform the Chief Finance Officer whenever there is a likelihood that expenditure will exceed the approved revenue estimate for it, or that income will be less than the amount included in the estimates, as soon as practicable, including any impact on future years.
- iv) inform the Chief Finance Officer whenever there is a likelihood that expenditure will be below the approved revenue estimate for it, or that income will be in excess of the amount included in the estimates, as soon as practicable, including any impact on future years.

**5.2.3** Corrective action may take the form of a transfer of budgets between budget heads (virement) or the suspension or deletion of other planned expenditure. Any such

**5.3.3** suspension or deletion shall require the Assistant Director to obtain the approval of the Executive and/or full Council if it is contrary to the Budget and Policy Framework and shall affect council policy.

**5.2.4** The Executive shall be entitled to require corrective action to be taken to deal with either a forecast or known overspending or to accommodate a new demand that is

**5.3.4** considered important or unavoidable.

### **5.3 Exceptional Supplementary Budget Estimates**

#### **5.4**

**5.3.1** Once all other possibilities for corrective action have been considered the Assistant Director, in conjunction with the Chief Finance Officer, will be required to make a

**5.4.1** request for a supplementary budget.

**5.3.2** Requests for supplementary budgets shall only be made in exceptional circumstances and may only be approved by the Council. A report requesting a

**5.4.2** supplementary budget must be produced jointly with the Chief Finance Officer and must make particular reference to any future financial implications.

### **5.4 Transferring Financial Resources Between Revenue Budget Heads in Year (Virement)**

#### **5.5**

**5.5.1** The term virement refers to transfers of budgets between or within cost centres. The Scheme of Virement is intended to enable Chief Officers, Assistant Directors and Budget Holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and, therefore, to optimise the use of resources.

**5.4.1** Budget provision may be transferred from one budget head to another during the course of the year subject to the following rules;

#### **5.5.2**

- i) the proposed expenditure is not contrary to council policy and does not relate to an item which has previously been considered by the Council, and has been rejected;
- ii) no net recurring increase in total expenditure will arise in any subsequent



years directly from the virement unless the recurring cost is approved by the Executive;

- iii) the proposed virement does not involve any loan charges, capital expenditure or apportioned central support services charges which the officer concerned has no control over;
- iv) all virements are notified to the Chief Finance Officer within one week of approval; and
- v) fortuitous income (which has not arisen through a positive management decision) cannot be a source of virement.

**5.4.2** Where an approved budget is a 'lump sum' budget or reserve intended for allocation during that year, its allocation will not be treated as a virement for reporting purposes, provided that the amount is used in accordance with the purposes for which it was established.

**5.5.3**

**5.4.3** The transfer of a budget is not virement if the budget continues to be used for the same purpose and is only being vired for the purpose of 'general housekeeping'.

**5.5.4**

**5.4.4** The Chief Finance Officer is authorised to make any technical adjustment to budgets that are not contrary to the Policy and Budget Framework.

**5.5.5**

**5.4.5** Virement is permitted between the revenue budget and the capital budget but not from the capital budget to the revenue budget.

**5.5.6**

**5.4.6** ~~Revenue virements may be made within the following criteria;~~

~~Within the same budget head;~~

- ~~i) transfer between subjective within revenue budget heads may be approved by the budget holder, after consultation with their Assistant Director.~~

~~Between different budget heads;~~

- ~~ii) where amount does not exceed £50,000 and the items are to be transferred between different budget heads then the relevant Assistant Director(s) may approve the transfer;~~
- ~~iii) where the amount is more than £50,000 but not exceeding £75,000 and is to be transferred between different budget heads then the relevant Director(s) may approve the transfer;~~
- ~~iv) where the amount is more than £75,000 the approval of the Executive is required.~~

**5.4.7** Any virement that will impact upon the budget under the responsibility of another Assistant Director will require the approval of both Assistant Directors or both Chief Officers.

**5.5.6**

\* A budget head is defined as a single line in the approved revenue estimates.

**5.5.7** The process required to adjust the approved budget will depend on the purpose, value and impact of the proposed change. Details of the financial approval limits are set out in Part B of this document.

## **5.5 Carry Forward of Revenue Budgets from One Year to the Next**

### **5.6**

**5.5.1** Assistant Directors will be able to request to carry forward any revenue estimate not utilised by the end of the financial year, subject to the following conditions:

#### **5.6.1**

- i) proposals for carry forwards will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount (for this purpose income budgets for which the Directorate doesn't have full control, e.g. due to market forces) are excluded from the considered cash limit budget;
- ii) carry forwards can only be used to finance one-off types of expenditure;
- ~~iii) proposals will be included for initial approval in the report on financial performance submitted to the Executive for the period to the end of 31st December each year;~~
- ~~iv) if carry forwards are not identified and reported to the Executive in the report of financial performance for the period to the end of 31st December then they will not be considered, except in circumstances which are beyond the Council's control, e.g. failure of supplier to deliver. In such a case the initial approval of the Chief Finance Officer will be required;~~
- v) approval of the total value of carry forward proposals will only be given by the Executive once all spending in the financial year has been contained within the overall budget level set for the year and consideration given to the financial risks and priorities of the Council. This will be determined on receipt on the report of financial performance for the period to the end of 31<sup>st</sup> March each year. The allocation of the total carry forward amount to specific schemes will be determined following completion of the draft financial statements each year.

## **5.6 Capital Budget Management**

### **5.7**

#### **Capital scheme initiations and approvals**

**5.6.1** ~~Initial provision is made for capital schemes within the Capital Programme in line with the approved Strategic Plan, Housing Business Plan and Medium Term Financial Strategy.~~

**5.6.2** ~~Inclusion of an initial provision in the Capital Programme provides authorisation to carry out feasibility studies, outline design and application for planning consent (where required) provided the resources have been identified within the approved budget.~~

**5.6.3** ~~Before a capital scheme for which provision is made in the Capital Programme may proceed further i.e. to tender/commitment of expenditure, project documentation must be produced and agreed by the Project Sponsor and relevant Programme~~

Board, in accordance with the Lincoln Project Management Framework, unless such documentation has been completed within the last 12 months prior to inclusion in the Capital Programme. If a period of 12 months has elapsed a revised project appraisal will be required to be approved by the Project Sponsor and the relevant Programme Board.

5.6.4 Where Assistant Directors wish to propose new capital schemes for inclusion in the capital programme, they must first consult with the Chief Finance Officer who will determine the approach to be taken for approval of the proposal. The proposals will need to be approved by the Executive and be in accordance with the Lincoln Project Management Framework, i.e. require the completion and approval of appropriate project documentation. This must include all applications for schemes to be funded from Government sources, grants or other external funding.

5.6.5 In accordance with the Lincoln Project Management Framework all capital projects require a full financial assessment which must be approved by the Chief Finance Officer.

5.6.6 Bids for external funding to support capital expenditure cannot take place until they have been approved by the Chief Finance Officer.

5.6.7 The Chief Finance Officer may approve expenditure where tenders received are less than the allocated scheme budget and the Assistant Director proposes to extend the scope of the work up to the allocated amount. In such circumstances the Chief Finance Officer will consider the overall capital programme and other calls on capital resources.

### **Capital Scheme Monitoring**

5.6.8 Assistant Directors and budget holders shall be responsible the financial monitoring of all capital schemes under their control and shall, at the earliest opportunity, inform the Chief Finance Officer whenever;

- 5.7.1
- i) the cost has or is likely to exceed the allocated project budget;
  - ii) there has been or is likely to be slippage in estimated payments expenditure for the year so that steps may be taken to avoid the loss of time-limited borrowing or capital grant approvals.

5.6.9 Notwithstanding any of the responsibilities of Assistant Directors and budget holders for budget management within these Procedure Rules, in addition the performance of all capital schemes shall be monitored through either specific Project/Programme Boards, Strategic Priority Theme Groups or through Directorate Management Teams. by the Chief Finance Officer in conjunction with the Capital Programme Group (consisting of the Financial Services Manager, Group Accountant and Capital Accountant).

5.6.10 If after a scheme has commenced the original total cost has or appears likely to exceed the allocated scheme budget, or where any avoidable variations or discretionary charges are to be incurred, then equivalent savings must be made within the approved capital programmes (virement).

5.7.3

- 5.6.11 If it is not possible to identify a capital virement the Chief Finance Officer and Assistant Director shall report the scheme, the final cost or estimate thereof and reason for the increased expenditure to the Executive at the earliest opportunity.
- 5.7.4

## **5.7 Transferring Financial Resources within Capital Schemes (Virement)**

### **5.8**

- 5.7.1 The Chief Finance Officer ~~in conjunction with Capital Projects Group~~ shall consider the scheme as a whole, the overall agreed capital programmes and other calls on capital resources, when taking corrective action in the form of a virement.
- 5.8.1

- 5.7.2 ~~The Chief Finance Officer shall have authority to approve virements to a capital scheme subject to the virement plus previous virements approved by the Chief Finance Officer being not more than £100,000 or 50% of the total scheme whichever is lower. For ongoing schemes (e.g. disabled facilities grants) the total value of the scheme refers to the annual budget allocation.~~
- 5.8.2

- 5.8.2 The process required to adjust the approved budget will depend on the purpose, value and impact of the proposed change. Details of the financial approval limits are set out in Part B of this document.

- 5.7.3 Such virements shall be reported by the Chief Finance Officer to the Executive, not less than four times a year.
- 5.8.3

- 5.7.4 ~~Any virement which results in the change to the cost of the scheme exceeding the above financial limits will require the Assistant Director in conjunction with the Chief Finance Officer to prepare a report to obtain the approval of Executive.~~

- 5.7.5 The Chief Finance Officer shall have authority to approve the re-phasing of capital schemes within the approved capital programme between financial years (subject to the availability of resources) to make the most effective use thereof. Such re-phasing shall be reported by the Chief Finance Officer to the Executive, not less than four times a year. If deemed necessary the Chief Finance Officer in conjunction with the relevant Assistant Director shall prepare a report to the executive to consider proposals.
- 5.8.4

- 5.7.6 The Chief Finance Officer shall have the authority to approve the inclusion of schemes in the capital programme as required by capital accounting requirements in the Accounting Code of Practice.
- 5.8.5

## **5.9 In Year Movement of Reserves and Balances**

- 4.2.3 ~~Before approving the establishment of a new earmarked reserve or provision the Chief Finance Officer will require Assistant Directors to provide the following;~~
- 5.9.1

- ~~i) the purpose of the earmarked reserve or provision,~~
- ~~ii) the decision making and authorisation process for the use of those provisions and reserves,~~
- ~~iii) the process and timescale for review of the reserve.~~

Any in year call on the use of earmarked reserves ~~and balances~~ will be authorised by the Chief Finance Officer. The Chief Finance Officer will also approve any request for new earmarked reserves and any movements between reserves.

**5.9.2** Drawdown from earmarked reserves can only be requested for one-off purposes, although it may be possible to request funding for a project that spans more than one financial year.

**5.9.3** Where additional funding is required on an on-going basis, the full year effect must be addressed through the revenue budget setting process.

~~**4.2.4** Authority to commit expenditure for the specified purposes lies with Assistant Directors in accordance with section 5.1 of these Procedure Rules. Assistant~~  
~~**5.9.4** Directors shall only propose the use of earmarked reserves and provisions for the purpose of such reserves or provisions, unless otherwise agreed by the Chief Finance Officer.~~

The establishment of new earmarked reserves and provisions shall be brought to the attention of the Executive, by the Chief Finance Officer, not less than four times a year.

## **5.8 Reporting**

### **5.10**

~~**5.8.1**~~ The Executive shall receive a report, prepared jointly by, the Chief Finance Officer and **Chief** Officers, commenting on financial performance, to date, of the revenue budget and capital programmes, not less than four times a year. The Chief Finance Officer shall report to the Executive in between such regular reports should he/she require this to be necessary in the financial circumstances.

~~**5.8.2**~~ The Performance Scrutiny Committee shall receive a report, prepared jointly by, the Chief Finance Officer and Chief Officers, commenting on financial performance to date of the revenue budget and capital programmes, not less than four times a year.

## **6. EXPENDITURE**

### **6.1 Authorisation and Certification**

- 6.1.1 Expenditure should only be incurred if authority to purchase goods or services has been delegated to an employee by an Assistant Director.
- 6.1.2 A list is maintained by the Chief Finance Officer of the extent of the authority of each authorising officer who can approve orders and authorise invoices for payment.
- 6.1.3 A list is maintained by the City Solicitor of the extend of the authority of each authorising officer who can:
- i) authorise travel and expense claims;
  - ii) ~~authorise petty cash reimbursement claims;~~
  - iii) authorise payroll transactions, including starters and leavers, overtime or bonus payment, notification of sickness, salary adjustments.
- 6.1.4 Transactions will not be processed unless authorisation has been given.
- 6.1.5 Agency staff are not permitted to place or approve orders or contractual payments.
- 6.1.6 Assistant Directors should notify the Chief Finance Officer and City Solicitor immediately of any changes in authorised personnel or requests for changes in authorisation limits. Periodically, the whole list of authorised officers shall be reviewed in its entirety.

### **6.2 Contracts for Works, Goods and Services**

- 6.2.1 All contracts entered into on behalf of the Council shall be subject to the Contract Procedure Rules (Part 4) of the Constitution.
- 6.2.2 Payment to contractors on account shall be authorised only on certified documents signed by an authorising officer up to their agreed authorised limited, set out in Part B of this document, showing the total amount of the contract, value of work executed to date, retention money, amount paid to date and the amount now certified.
- 6.2.3 Subject to the specific contract allowing a variation, every variation, addition to the original specification or compensation event, shall be authorised, in writing, by an authorising officer up to their agreed authorised limit, as ~~per paragraph 5.1.3~~ **set out in Part B of this document**. Any such variation, addition or event which necessitates an increase in the amount of an accepted tender or estimate which exceeds the budgetary provision will be subject to the scheme of virement as per paragraphs ~~5.4~~ **5.5** and ~~5.7~~ **5.8**. No order shall be placed, nor any payment certified, in respect of any such variation or addition until this has been approved by the Executive if required under the scheme of virement.
- 6.2.4 The final certificate on a contract or accepted estimate shall be issued by the duly authorised officer.

- 6.2.5 In the case of contracts for works entered into by the Council and supervised and managed by architects or persons other than the Council's own officers, the agreement with the person having control of the work shall provide that he/she submit to the Council for authorisation by a duly authorised officer, all payments on account and valuation certificates, furnishing them with all documents and vouchers relating to prime costs, provisional sums etc. Subject to the rights of other parties to the contract, the final certificate shall not be issued, nor the balance under such contract paid until an authorised officer of the Council has had the opportunity to examine the accounts, vouchers and documents and authorise the final certificate and payment.

### **6.3 Orders for Works, Goods and Services**

- 6.3.1 Purchase orders shall be made out in the name of the Council and shall be in a form approved by the Chief Finance Officer. Electronic ordering shall be the Council's preferred method of raising orders.
- 6.3.2 Official purchase orders are required for all work, goods or services to be supplied to the Council except for:
- i) supplies of public utility services;
  - ii) ~~contracts for works, goods and services as per paragraph 6.2~~
  - iii) periodical payments (such as rent or rates);
  - iv) petty cash purchases; or
  - v) such other exceptions as the Chief Finance Officer may approve

If there is any doubt over whether a purchase order is required the Chief Finance Officer will confirm the requirements.

- 6.3.3 No official order shall be issued unless the rules regarding the obtaining of quotations/tenders in accordance with Contract Procedure Rules, (Part 4) of this Constitution, have been followed.
- 6.3.5 Verbal orders should only be given in emergencies and must be confirmed immediately by an official order, clearly marked 'Confirmation of an order issued verbally'. Personal credit cards can only be used in exceptional and justifiable circumstances and with prior authorisation of the Chief Finance Officer.
- 6.3.6 All orders shall specify the nature and quantity of the work, goods or services required, shall include all relevant expenditure (including freight/delivery) and shall specify the relevant contract and agreed or estimated price excluding Value Added Tax.
- 6.3.7 Each purchase order must be authorised by an authorising officer up to their agreed authorised limit, **as set out in Part B of this document**. Before authorising purchase orders (or otherwise committing expenditure) authorising officers should ensure that sufficient budgetary provision is available.
- 6.3.8 Any purchases undertaken as part of a corporate procurement card scheme shall be in accordance with the instructions issued. Purchase orders are not required for



procurement cards.

- 6.3.9 No financial loan, leasing or hire purchase arrangement (with the exception of land and property) may be entered into without the express permission of the Chief Finance Officer.
- 6.3.10 Under no circumstances may individual employees use the Council's ordering or payments systems for personal use or benefit.
- 6.3.11 Assistant Directors shall ensure that, where construction maintenance works are undertaken, the contractor fulfils necessary Construction Industry Tax Scheme requirements.

#### **6.4 Payment of Accounts**

- 6.4.1 The Chief Finance Officer shall be responsible for making safe and efficient arrangements for all payments.
- 6.4.2 The primary method of payment of funds due from the Council is by BACS payment drawn on the Council's bank account by the Chief Finance Officer. ~~In exceptional circumstances~~ Other forms of payment e.g. CHAPS/faster-payment/direct debit/standing order may be used with the agreement of the Chief Finance Officer.
- 6.4.3 Each Assistant Director shall be responsible for ensuring that prior to purchase orders for goods and services being confirmed as being goods received (or on occasions invoices being authorised for payment) the examination, verification and certification of the receipt of all goods and services under his/her control is in line with the original purchase order or subsequent amendments. He/she shall satisfy him/herself that robust procedures exist to ensure that;
  - i) the goods, works or services mentioned have been received, examined and approved as to quality and quantity and are in accordance with the order and/or subsequent correspondence;
  - ii) the relevant expenditure has been properly incurred, and is within the relevant budget;
  - iii) appropriate entries have been made in inventories, stores records or stock books as required;
  - iv) the account has not previously been passed for payment and is a proper liability of the Council;

Where the invoice received differs from the official purchase order or amounts certified as received, then they shall ensure that;

- i) the price charged is correct and in accordance with any accepted quotation or contract and that all appropriate allowances, discounts and credits have been deducted, and that the invoice is arithmetically accurate;
- 6.4.3 Statements shall not be paid but should be passed to the Chief Finance Officer for review and reconciliation. Scanned or photocopied documents shall not be passed for payment unless endorsed by the authorising officer stating that the original is not,



and is unlikely to become, available. If this is the case scanned or photocopied documents must be of sufficient quality to be processed.

6.4.4 Each order, goods receipt confirmation and/or invoice shall be authorised by the authorising officer up to their agreed authorised limit, **as set out in Part B of this document.**

6.4.5 Assistant Directors must ensure that invoices for payment are dealt with promptly in accordance with any contract conditions, late payment legislation and performance criteria. Priority is to be given to invoices subject to a discount for prompt payment. On confirmation the purchase orders have been goods receipted or if required invoices have been authorised for payment, the invoices will be processed by the Chief Finance Officer for payment without delay.

## **6.5 Payment for Salaries and Wages**

6.5.1 The payment of all salaries, wages, compensation and other emoluments to all employees or former employees of the Council shall be made by the City Solicitor under secure and reliable arrangements approved by the Chief Finance Officer.

6.5.2 Assistant Directors and the City Solicitor will ensure that appointments of all employees are made in accordance with the Procedure Rules of the Council.

6.5.3 Assistant Directors shall notify the City Solicitor as soon as possible, complying with deadlines set down for payroll processing and in the form prescribed by him/her, of all matters affecting the payment of such emoluments, and in particular:-

- i) appointment, resignations, dismissals, suspensions, secondments and transfers;
- ii) absences from duty for sickness or other reason, apart from approved leave (via the appropriate admin team);
- iii) changes in remuneration, other than normal increments and pay awards and agreements of general application; (e.g. honorarium, accelerated increments, regradings etc)
- iv) information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- v) all employees in receipt of taxable benefits;
- vi) additional work such as overtime.

6.5.4 All time records or other pay documents shall be in the form prescribed by the **Chief Executive—City Solicitor** and approved by the Chief Finance Officer and shall be certified by an authorising officer.

6.5.5 Assistant Directors must ensure that all pay transactions are processed through the payroll system. They must, in particular, seek advice from the City Solicitor on the employment status of potentially self-employed individuals or sub- contractors.

6.5.6 The City Solicitor shall implement all nationally agreed pay and related awards immediately.

## **6.6 Payments of officer's travel and subsistence**

- 6.6.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be submitted via the system prescribed by the City Solicitor and approved by the Chief Finance Officer and submitted in accordance with such timescales as he/she may determine.
- 6.6.2 All claims for payment shall be certified by an authorising officer. Such certification shall be taken to mean that the authorising officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 6.6.3 Irrespective of the method of claim or method of payment, all expenses for car allowances, subsistence allowances, travelling and incidental expenses shall be in accordance with the rates and scales set out in the HR Handbook as updated from time to time.

## **6.7 Payments to Member's or Independent Persons for Travel, Subsistence and Allowances**

- 6.7.1 Payments to Members, including co-opted Members of the Council or its committees, or independent persons who are entitled to claim travelling or other allowances, will be made by the City Solicitor upon receipt of the prescribed form duly completed. All claims for a financial year are to be submitted in accordance with the Members' Allowance Scheme.
- 6.7.2 All issues relating to the payment of Members' allowances and including the keeping of records and publication of amounts claimed, shall be in accordance with the Council's Members' Allowance Scheme extant at that time as any relevant legislation.
- 6.7.3 The City Solicitor shall determine which duties of Members should qualify for payment in accordance with the Members' Allowance Scheme. Any other payments will require approval by the Executive.

## **6.8 Transparency**

- 6.8.1 To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to its spending, regardless of value, consistent with requirements set out under 'Openness of Local Government Bodies regulations (2014)'. Monthly payment transactions made are available to download via the Council's website

## **7. INCOME**

### **7.1 Fees and Charges**

**7.1.1** ~~All fees and charges to be made for Council services shall be reviewed at least annually by the Assistant Directors. Such fees and charges shall be submitted by the Chief Finance Officer to the full Council for approval as part of the Medium Term Financial Strategy.~~

**7.1.2** Proposals for new fees and charges should normally be considered as part of the Medium Term Financial Strategy. Where this is not possible then the Assistant Director, in conjunction with the Chief Finance Officer shall submit a report to the Executive for approval of the new fees and charges. Reasonable notice should be given to service users to consult on the fees, before any new charge is implemented, together with clear advice on any discounts or concessions that will be available.

**7.1.3** Any fees and charges regulated by statute shall be implemented on the due date without requiring approval or consultation with service users.

**7.1.4** In respect of services where fees or charges apply or may apply in circumstances where services are obliged through regulations to achieve cost recovery or where other market led factors influence the service and its charging structure, the relevant Assistant Director has the discretion to amend the set fees and charges by +/- 50%, after consulting with Chief Finance Officer and relevant Portfolio Holder. Such an occurrence shall be reported by the Assistant Director to full Council at the earliest opportunity.

### **7.2 Collection of Income**

**7.2.1** The collection of all money due to the Council shall be under the supervision of the Chief Finance Officer who shall ensure adequate arrangements are maintained for;

- i) the financial organisation and accounting necessary to ensure the proper recording of all sums due to the Council, and;
- ii) the collection, custody, control, disposal and prompt accounting of all cash in all Directorates and establishments of the Council and any bodies acting on the Council's behalf.

**7.2.2** Each Assistant Director shall arrange for accounts to be raised promptly in respect of charges for work done or goods or services supplied and for rendering such accounts to the debtors concerned, along with required supporting documentation. Such accounts will be in a form specified by the Chief Finance Officer.

**7.2.3** Assistant Directors shall promptly notify the Chief Finance Officer of contracts, leases and other agreements and other arrangements entered into which involves the receipt of money by the Council.

**7.2.4** The Council does not accept cash except where this is unavoidable and approved by an Assistant Director. Any cash received must be acknowledged by the issue of an official receipt.

- 7.2.5 All official receipt forms, books or similar items shall be in a form approved by the Chief Finance Officer.
- 7.2.6 All official receipt forms, books or similar items shall be ordered, controlled and issued only by the Chief Finance Officer and be in his/her custody, except where he/she may approve otherwise. A register shall be kept of all receipts and issues of such documents and each issue shall be acknowledged by the signature of the recipient.
- 7.2.7 Assistant Directors shall ensure that cash etc collected by an employee shall not be left unsecured in the absence, for any reason, of the employee from the point of collection. Where a collection point is left unattended, all cash must be put in secure conditions.
- 7.2.8 Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving officer.
- 7.2.9 Assistant Directors shall ensure that any shortages of cash collected shall be notified immediately to the Chief Finance Officer and Internal Audit to determine the nature of any action to be taken and to effect compliance with these Procedure Rules.
- 7.2.10 Personal cheques shall not be cashed out of the money held on behalf of the Council.
- 7.2.11 Each employee receiving income shall balance his/her collections at least daily and pay them to the Chief Finance Officer, the bank (either directly or via authorised collectors) or another officer nominated by the Chief Finance Officer in accordance with the instructions specified by the Chief Finance Officer. These payments must be properly coded and any VAT properly accounted for. No deduction may be made from such money save to the extent that the Chief Finance Officer may specifically authorise.
- 7.2.12 The Chief Finance Officer shall arrange for prompt banking of monies received by him/her.
- 7.2.13 Each officer who banks money (either directly or via authorised collectors) shall enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque; on the reverse of each cheque, the officer shall enter the name of his/her directorate, office or establishment.
- 7.2.14 As per paragraph 7.2.4 above the Council does not accept cash payments except where this is unavoidable. In those unavoidable instances in accordance with the Council's Anti-Money Laundering policy payment to the Council can be accepted if it is in cash and does not exceed a specified limit (currently £2,000). The receipt of cash payments over £2,000 requires the prior authorisation of the Chief Executive, City Solicitor or Chief Finance Officer.
- 7.2.15 Electronic payments will be implemented on a service-by-service basis wherever this can be done so efficiently. Whenever possible this will be through a means that is without human intervention in the process such as through the online secure web

pages or by automated telephone payments. All monies received through such methods shall be subject to the specific instructions concerned and shall comply with the Payment Card Industry Data Security Standards (PCIDSS). This requirement to comply with PCIDSS extends to any third parties/contractors working on behalf of the Council

### **7.3 Writing off ~~bad~~ Debts**

7.3.1 The Chief Finance Officer shall generally administer the recovery of all income due to the Council, including taking appropriate proceedings in court. With exception of the delegation to the City Solicitor to settle all legal proceedings in consultation with the relevant instructing officer.

7.3.2 The authority to write out debts shall be ~~as follows and~~ exercised only where the debt is deemed uncollectable by virtue of the bankruptcy or liquidation of the debtor, the debt being statute barred or the absence of further remedies being available such as following a committal hearing or a deceased debtor with no estate or where the debt is deemed irrecoverable or uneconomic to pursue. **Details of the financial approval limits are set out in Part B of this document.**

~~i) not more than £5,000 for any one debtor in respect of any one financial year – authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service~~

~~ii) following a report to and the approval of the Executive in respect of debts over £5,000.~~

7.3.3 Where authorisation exists to write out a debt, the Chief Finance Officer may seek to mitigate the loss to the Council by selling the debt or passing it to an agency on a commission basis. Nothing in these Procedure Rules shall preclude the passing of a debt to an agency where either the debtor becomes liable for those costs or there is provision in the budgets or provisions to meet such costs. Nothing in these Procedure Rules shall preclude “technical” write-offs necessary to correct any account raised in error.

7.3.4 The authority to reinstate previously written off debts upon receipt of outstanding amounts **is set out in Part B of this document.** ~~shall be as follows:~~

~~i) Reinstatement of debts up to £5,000 – authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service.~~

~~i) Reinstatement of debts over £5,000 – authorisation required by the Chief Finance Officer~~

## **8. Taxation**

- 8.1 The City Solicitor shall be responsible for accounting to the HM Revenue's & Customs for all tax deducted from employees' emoluments under the PAYE arrangements.
- 8.2 The Chief Finance Officer shall be responsible for accounting to the appropriate agency for all other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.
- 8.3 The Chief Finance Officer may require from any employee of the Council such information as is necessary for fulfilment of the Council's obligation under this Procedure Rule. Assistant Directors shall be responsible for reporting taxable benefits (e.g. un-badged uniforms), which their staff may have received to the Chief Finance Officer in accordance with the timescales and procedures laid down by him/her.
- 8.4 Any purchase which is taxable under VAT Procedure Rules, whether or not the purchase price includes an element of VAT, shall be paid for only on receipt by the Chief Finance Officer of a suppliers invoice complying with VAT Procedure Rules or a written guarantee that an authenticated VAT receipt will be issued. Under no circumstances will VAT be payable on cheque requisition forms unless authorising officers have sought an authenticated VAT receipt.
- 8.5 Authorised officers accounting for income must ensure that the correct VAT is charged. Liability is determined by the type of organisation being charged and the nature of the service provided.
- 8.6 Assistant Directors should have regard to the provision of the Construction Industry Scheme (CIS) and should ensure that all payments which may incur a liability under this scheme are passed directly to the Chief Finance Officer for payment.

## **9. Resources and Asset Management**

### **9.1 Banking Arrangements**

- 9.1.1 All arrangements concerning banking services, including the opening, closing and operation of the Council's bank accounts shall be made solely upon direction of the Chief Finance Officer.
- 9.1.2 Cheques and other instruments drawn on the Council's banking accounts shall bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officer authorised to do so in the bank mandate. The Chief Finance Officer will authorise the inclusion of specific officers on the bank mandate (to be at a minimum of Assistant Director level).
- 9.1.3 All such cheques and instruments shall be ordered only on the authority of authorised signatories and the Chief Finance Officer shall make proper arrangements for their safe custody.
- 9.1.4 The Chief Finance Officer shall authorise the establishment of all standing orders and direct debits.
- 9.1.5 The Chief Finance Officer shall maintain a list of all Council procurement cards issued and their holders. The Chief Finance Officer will authorise the issue of any new cards, the withdrawal of existing cards and provide operating guidance.
- 9.1.6 Card holders shall be personally responsible for the security of cards and for ensuring compliance with guidelines for their use, which shall include the requirement that procurement cards may only be used for Council business and in no circumstances used for personal purposes.

### **9.2 Investments, Borrowings and Trust Funds**

- 9.2.1 The Council has adopted CIPFA's "Code of Practice for Treasury Management in Local Authorities".
- 9.2.2 The Council shall determine a Treasury Management Policy setting out its strategy and procedures for Treasury Management and set the Council's Prudential Indicators. The policy shall be reviewed once a year and completed in accordance with the budget timetable.
- 9.2.3 All money in the Council's possession shall be aggregated for the purposes of Treasury Management and shall be under the control of the Chief Finance Officer.
- 9.2.4 All Executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer or through him/her to his/her staff who shall all be required to act in accordance with current statutory requirements, professional guidelines and the Treasury Management Policy extant at the time of the transaction.
- 9.2.5 The Chief Finance Officer shall report to the;
  - i) Executive no less than twice in each financial year on the activities of the

Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. One such report shall comprise an Annual Treasury Management Stewardship and Prudential Indicators Report for presentation by 30 June of the succeeding financial year.

ii) Performance Scrutiny Committee no less than twice a year on the activities of the Treasury Management operation. Including, as a minimum, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices.

iii) Audit Committee on an annual basis on the treasury management strategy before approval by the Executive and full Council **no later than the 11<sup>th</sup> March of the proceeding year.**

9.2.56 Responsibility for the implementation and regular monitoring of the Treasury Management policies and practices is delegated to the Performance Scrutiny Committee.

9.2.67 The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

9.2.78 All borrowings, investments and trust funds shall be made in the name of the Council.

9.2.89 The Chief Finance Officer shall act as a registrar of mortgages, stocks, shares and bonds, whilst appropriate arrangements shall be made for other securities.

9.2.91 All trust funds shall, wherever possible, be in the name of the Council and Officers acting as trustees by virtue of their official position shall deposit all securities, etc., relating to the trust with the City Solicitor unless the deed otherwise provides.

9.2.10 The Chief Finance Officer shall arrange, where funds are held on behalf of third parties, for their secure administration and to maintain written records of all transactions.

9.2.14 The Chief Finance Officer shall ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

### **9.3 Floats and Imprest Accounts**

9.3.1 The Chief Finance Officer may establish and provide such imprest accounts and cash float holdings and in such a form as he/she deems appropriate.

9.3.2 The Chief Finance Officer shall maintain a list of all Council imprest accounts and cash float holdings issued and their signatories.

9.3.3 No income received on behalf of the Council may be paid into an imprest account but must be banked or paid to the Council as provided elsewhere in these Procedure Rules.

9.3.4 Payments shall be limited to minor items of expenditure up to a general individual limit of £50 and to such other items as the Chief Finance Officer may approve and shall be supported by a receipted voucher to the extent that the Chief Finance Officer



may require. A VAT receipt should be obtained where possible.

- 9.3.5 Each imprest holder shall maintain an approved record of the sum received and disbursements made and shall produce the record and cash for checking on demand by the Chief Finance Officer or his/her representative.
- 9.3.6 Claims for reimbursement are completed by each imprest holder. The vouchers are attached to the claim certified by an authorising officer, and submitted to the Chief Finance Officer at such intervals as the Chief Finance Officer determines.
- 9.3.7 On leaving the employment of the Council or otherwise ceasing to be entitled to hold an imprest account, an Officer shall account to the relevant Assistant Director for the amount advanced to them

#### **9.4 Unofficial Funds**

- 9.4.1 The Council will not as a general rule supervise the financial administration of unofficial funds and will not in the course of normal business audit them. It accepts no liability whatsoever for any loss however caused. Those operating such funds therefore have an overall responsibility to ensure that proper financial stewardship is observed. This should include ensuring that:-
  - i) a Treasurer and an independent auditor are formally appointed;
  - ii) proper rules are operated to secure adequate standards;
  - iii) adequate records and procedures are maintained;
  - iv) regular reports on fund transactions and balances are received and checked against bank statements;
  - v) annual statements of income and expenditure and fund balances are prepared and audited.
- 9.4.2 Those operating or intending to operate such funds are also required to:
  - i) notify the Chief Finance Officer of details of the fund as soon as this is set up;
  - ii) provide an independent audit certificate for the fund on an annual basis.
- 9.4.3 The Chief Finance Officer reserves the right to inspect the accounts and records of such funds as necessary.

#### **9.5 Asset Registers and Inventories**

- 9.5.1 The Chief Finance Officer shall maintain an Asset Register, in such a form to record sufficient details to meet the requirements of the Code of Practice on Local Authority Accounting in respect of capital accounting, for all non-current assets with a value in excess of £10,000.
- 9.5.2 The Chief Finance Officer and the Assistant Director of Housing shall be responsible for ensuring that the Corporate Asset Management Plan and the HRA Asset Management Plan (respectively) under his/her control are up to date and provide the corporate framework for a coordinated approach to asset management within the Council.

9.5.3 In particular the Chief Finance Officer:-

- i) will maintain a terrier of all properties owned by the Council recording the holding service, purpose for which held, location, extent and plan reference, purchase details, particulars of nature of interest and rents payable and review periods and particulars of tenancies granted;
- ii) shall hold and regulate access to all title deeds to land and property owned by or mortgaged to the Council and shall hold the Council's seal.

9.5.4 Assistant Directors shall be responsible for maintaining an inventory of all items under their control with a replacement value in excess of £250, but including electrical and photographic equipment, that do not form part of the Asset Register modules or subsidiary records. Such inventories shall be in a form determined by the Chief Finance Officer.

9.5.5 The Assistant Director of Strategic Development shall be responsible for maintaining a central inventory of computer equipment.

9.5.6 Asset records and inventories are to be checked by Assistant Directors annually to ensure;

- i) that new items are entered,
- ii) that items are present; and
- iii) any deficiencies are either accounted for or investigated without delay.

9.5.7 Each Assistant Director is responsible for maintaining proper security at all times for buildings, furniture, equipment, stocks, stores, cash and other valuable resources or assets under his/her control. All valuable resources must be locked away wherever possible to reduce the risk of theft. Buildings must be kept secure, well maintained and, where appropriate, access must be restricted. He/she shall consult promptly with the Chief Finance Officer in any case where security of cash or assets is thought to be defective or where it is considered that special security and/or safety arrangements may be needed.

9.5.8 The Council's vehicles, plant and equipment shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Officer concerned.

9.5.9 A loss of any asset of any kind must be reported to the Chief Finance Officer and Internal Audit Manager.

9.5.10 Guidance on asset disposal is included within section 9.7.

## **9.6 Stocks and Stores**

9.6.1 Each Assistant Director shall be responsible for the custody, control and recording of stores in his/her department. He/she shall keep such records of stocks in a form approved by the Chief Finance Officer.

- 9.6.2 The Chief Finance Officer in conjunction with the Assistant Director concerned shall determine the method to be employed in the valuation of stocks and stores
- 9.6.3 Each Assistant Director shall undertake a regular system of stocktaking, and at least annually, to ensure that:-
- i) deficiencies or surpluses are detected promptly,
  - ii) obsolete and redundant stock is revealed, and
  - iii) year end stocks can be ascertained accurately and promptly.
- 9.6.4 The Chief Finance Officer shall be entitled to receive from each Assistant Director such information as he/she or she requires in relation to stores for the accounting, costing and financial records.
- 9.6.5 The Chief Finance Officer may, after investigation, authorise the writing off of deficiencies and/or obsolete stores where he/she is satisfied as to the cause.
- 9.6.7 Guidance on the disposal of surplus materials, stores or equipment is included within section 9.7.

## **9.7 Disposal of Items of Inventory, Stocks and Stores**

- 9.7.1 The procedures contained in section 9.7 apply to the disposal of surplus goods, equipment, stocks and stores but do not apply to the sale in the ordinary course of business of any article or publication the price of which has been fixed by the Council.
- 9.7.2 Where the actual or estimated value of the goods to be sold is less than £10,000 the relevant Assistant Director may approve the disposal and may decide the procedure to be adopted, **which should be proportionate to the value of the goods.** The Assistant Director must establish if the goods could be used in the Directorate or elsewhere in the Council and consider whether any of the following methods are considered appropriate:
- i) use of an appropriate selling agent/organisation
  - ii) offered for sale to employees and Members on the basis of the highest bid
  - ~~iii) use of the Council's Ebay Account (subject to final approval of parameters)~~
  - iv) any of the disposal methods as set out in 9.7.43

If the item has no remaining value, its removal from the premises by an appropriately qualified **certified** contractor should be arranged.

- 9.7.3 Goods of an actual or estimated value exceeding £10,000 must be disposed of in one of the following ways, as determined most appropriate by the Assistant Director:
- i) by public tender;
  - ii) by public auction; provided that a reserve price has been fixed by the authorised person or body in advance and the consideration obtained is equal to or more than the reserve price;
  - iii) by "trading in" goods at the best price obtainable against the purchase of other goods on behalf of the Council;

- iv) by exchange, where authorised by the Assistant Director, for goods or works, subject to monetary adjustments as appropriate;
- v) by treating with not less than 3 bona fide prospective purchasers;
- vi) by sale to another local or public authority;
- vii) in accordance with a statutory requirement or procedure.
- viii) by sale in accordance with any other procedure approved by the Council or the Executive.

9.7.4 A record must be kept of the method of sale, price obtained, and the name and address of the purchaser. Where competitive prices have been sought, a record must be kept of the offers received and of the names and addresses of the persons making those offers.

9.7.5 The Chief Finance Officer shall be notified of the disposal of all goods and equipment, including stocks and stores. Assistant Directors are responsible for ensuring any inventories and records of stocks and stores they hold are updated to reflect the disposal of goods and equipment.

9.7.6 The receipt of any income from the disposal of goods, equipment, stocks and stores shall be treated as a capital receipt if it is in excess of £10,000, below this threshold it will be treated as revenue income for the relevant service area.

## **9.8 Acquisition and Disposal of Land and Buildings**

9.8.1 Authority for any land and buildings acquisition must be sought through the Executive, with the recommendation of the Strategic Property Manager and in consultation with the Chief Finance Officer.

9.8.2 All acquisitions and interests in land and buildings must be negotiated through the Strategic Property Services Manager:

- i) by private treaty;
- ii) by tender;
- iii) at auction, provided that the maximum price to be paid has been fixed by the Chief Finance Officer in advance and is not exceeded.

9.8.3 All disposals of land and buildings must be authorised by the Executive or a sub-committee authorised by the Executive, on the recommendation of the Strategic Property Manager and in consultation with the Chief Finance Officer

9.8.4 The Strategic Property Manager may enter into a contract for the disposal of any interest in the land and buildings;

- i) by public tender;
- ii) by public auction, provided that a reserve price has been fixed by the authorised person or body in advance and the consideration obtained is equal to or more than the reserve price;
- iii) by exchange, where authorised by the Council or the Executive, for goods, works or land, subject to monetary adjustments as appropriate;
- iv) by treating with one or more prospective purchasers, lessees or licensees

- v) by sale to another local or public authority;
- vi) in accordance with a statutory requirement or procedure;
- vii) by sale in accordance with any other procedure approved by the Council or the Executive.

9.8.5 The City Solicitor will be responsible for the completion of all deeds and legal agreements relating to the acquisition and disposal of any interest in land and buildings, in accordance with the Council's scheme of delegation.

## **9.9 Procedure For Disposal By Public Tender**

9.9.1 Every invitation to tender must be sent out in accordance with the standard tender process as detailed in Contract Procedure Rules.

9.9.2 The Strategic Property Manager may accept the highest tender.

9.9.3 Acceptance of a tender, which is not the highest, may only be authorised by the Executive whose decision and the reasons for it must be recorded in the minutes.

## **9.10 Insurances**

9.10.1 The Chief Finance Officer shall be responsible for deciding whether an insurable risk should be insured, how or at what level it should be insured and for negotiating all insurances of the Council using consultants or directly with insurance companies under arrangements approved by the Council or in establishing/operating an Insurance Reserve or Provision.

9.10.2 The Chief Finance Officer shall annually, or at such other period as he/she may consider necessary, review all insurances and excess levels.

9.10.3 Assistant Directors shall give prompt notification to the Chief Finance Officer of;

- i) all new risks and liabilities which may require specific insurance cover or an alteration to existing insurances;
- ii) all new properties, vehicles or plant that require insurance or an alteration, including revised valuations, to existing insurances;
- iii) all leases of property granted by or to the Council which involve a transfer of insurance cover;
- iv) all new partnership arrangements or changes to existing partnership arrangements that require insurance or an alteration to existing insurances.

9.10.4 All claims and recoveries are to be negotiated by the Council's appointed claim handler. Each Assistant Director must inform the Chief Finance Officer of any incident, e.g. any liability or damage, which could give rise to an insurance claim, immediately the notice of any such incident comes to his/her attention, in accordance with the Council's Incident Reporting Procedure.

9.10.5 Assistant Directors shall consult the Chief Finance Officer and City Solicitor with regard to the terms of any indemnity, which the Council is requested to give. No indemnity is to be given without the written consent of the City Solicitor.

- 9.10.6 ~~Assistant Directors are responsible for ensuring that~~ No employee shall admit liability nor offer any payment of compensation that may prejudice the Council's liability in respect of any future claim.
- 9.10.7 All appropriate employees of the Council shall be included in suitable fidelity guarantee insurance whilst carrying out duties directly connected with their employment as a Council officer undertaking official business of the Council.
- 9.10.8 All of the above shall be done in the context of the Council's Risk Management Policy.

## **10. EXTERNAL ARRANGEMENTS**

### **10.1 Partnerships**

10.1.1 The Chief Finance Officer will ensure that the accounting arrangements adopted in relation to partnerships and joint ventures are subject to financial control procedures that reflect those of the Council, legislative requirements and other professional guidance. Partnerships include;

- i) services provided by private sector and community and voluntary sector partners;
- ii) shared services with other public bodies, including section 75 agreements entered into under the Health Act 2003 or similar arrangements;
- iii) where the Council becomes the accountable body under legislation or the terms of a grant;
- iv) any other partnerships involving a sharing of resources or risk and reward.

10.1.2 Assistant Directors must ensure that partnerships involving the Council are entered into or set up in accordance with the corporate guidance. This includes the responsibility to take appropriate professional advice (including financial, legal and procurement) when entering into partnership arrangements and to ensure that the impact of any such arrangements in terms of risk or financial standing are identified and considered by the Executive and the Council as appropriate. This includes:

- i) governance arrangement for the partnership;
- ii) risk management and risk sharing arrangement;
- iii) performance and financial management/monitoring arrangements;
- iv) financial administration, cash management and accounting arrangements;
- v) pensions risk;
- vi) taxation implications;
- vii) human resources implications;
- viii) the transfer of assets and liabilities;
- ix) insurance arrangements.
- x) ICT implications

10.1.3 Assistant Directors shall also ensure that;

- i) such partnerships do not adversely impact upon services provided by the Council;
- ii) all contracts are properly documented in a form approved by the City Solicitor; and
- iii) all appropriate information is provided to the Chief Finance Officer to enable a note to be entered into the Annual Statement of Accounts.

### **10.2 External Funding**

10.2.1 The Chief Finance Officer must be consulted on and approve all submissions to Central Government and other agencies for funding. Prior to making any submission in relation to external funding, Assistant Directors must ensure that:

- i) an exit strategy is identified to manage the ultimate cessation of the funding stream with no adverse impact on the Council, including any ongoing revenue implications;
- ii) any match funding requirements are given due consideration prior to entering into agreements and that future revenue budgets reflect these requirements; and
- iii) they are able to comply with the terms and conditions of a grant scheme, including auditor certification requirements, before accepting them.
- iv) the grants checklist is completed and details entered onto the central grants register

10.2.2 Assistant Directors must seek approval from the Chief Finance Officer before accepting any offer of funding from external bodies and must provide a written copy of all grant approvals together with grant and auditing conditions.

10.2.3 Assistant Directors are responsible for ensuring that all expenditure to be funded by grant is properly incurred in accordance with the requirements and conditions of the funding body and is supported by adequate evidence.

10.2.4 Assistant Directors are responsible for ensuring the completion and submission of grant claims. Officers must also ensure that grant claims comply with the requirements and grant conditions of the funding body, are submitted promptly, and supported by adequate evidence and are made in conjunction with Finance staff .

### **10.3 Providing Services to Third Parties**

10.3.1 No tender or quotation for any contract for the execution of works or provision of services by the Council may be submitted, or any such contract entered into, without first consulting the Chief Finance Officer and the City Solicitor

10.3.2 If either the Chief Finance Officer or City Solicitor object to any proposal to enter into a such a contract, then no authorised person or body other than the Executive may approve the submission of a tender or quotation or enter into such a contract.

10.3.2 All proposals to submit a tender or quotation shall consider;

- i) governance arrangements for the contract;
- ii) risk management and risk sharing arrangements, including the risk of service failure;
- iii) financial administration, cash management and accounting arrangements;
- iv) pensions risk;
- v) taxation implications;
- vi) human resources implications;
- vii) the transfer of assets and liabilities;
- viii) insurance arrangements.

Assistant Directors shall also ensure that;

- i) the contract is not subsidised by the Council;



- ii) the service has the appropriate expertise to undertake the contract;
- iii) such contracts do not adversely impact upon services provided for the Council;
- iv) all contracts are properly documented in a form approved by the City Solicitor; and
- v) all appropriate information is provided to the Chief Finance Officer to enable a note to be entered into the Annual Statement of Accounts.

## **11. LOCAL AUTHORITY COMPANIES**

- 11.1 Where consideration is being given to the establishment of a local authority company or involvement in other companies the relevant Chief Officer must consult the Chief Finance Officer and the City Solicitor on all aspects of the proposal, at the earliest possible time, prior to seeking approval from the Executive.
- 11.2 The relevant Chief Officer, in consultation with the Chief Finance Officer and City Solicitor is responsible for:
- i) preparing a detailed business case and business plan for the establishment of any trading organisation in accordance with relevant legislation and following best practice. The business plan must include full financial projections for the profit and loss account, balance sheet, cash flow statement. The business case must address the full financial implications and risks to the Council of establishing a trading company;
  - ii) ensuring that proposals for trading activities are not ultra vires and have Executive approval before the company is established or any contract with a third-party to establish a trading company is entered in to;
  - iii) ensuring that they have acquired the necessary expertise to establish the trading company and that its establishment does not adversely impact on the services provided for the Council;
  - iv) determining the appropriate form of company that should be established and that as appropriate, the articles of association of the trading company and any shareholders' agreement ensure that the Council can exert the appropriate degree of control over the trading company as shareholder;
  - v) ensuring that the trading company is not subsidised by the Council and that all services, officer time and other support provided to the company is charged to the company in accordance with the CIPFA Service Reporting Code of Practice;
  - vi) any contract drawn up between the trading company and the Council addresses risks to the Council;
  - vii) seeking and acting upon appropriate financial, legal and taxation advice in establishing a trading company.

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
<b>1. Financial Planning</b>			
<b>1.1 Capital Budget Additions as part of Annual Budget Process (applicable to all areas)</b>			
1.1A	New capital schemes to form part of the Annual Budget Process	Council	<p>To approve capital programme annually including additions presented to Executive.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Recommendation from Executive</li> <li>• Formal report to Full Council.</li> <li>• Officers to ensure requests for capital additions form part of the annual budget process in order for these to be considered alongside approval of the Treasury Management and Capital Strategies.</li> </ul>
<b>1.2 Capital Budget Additions outside of Annual Budget Process (applicable to all areas)</b>			
1.2A	New capital schemes outside of the Annual Budget Process with no impact on revenue	Executive	<p>To approve capital budget additions in excess of £100,000.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Based on the gross expenditure or gross income separately</li> <li>• Officers to consult with CFO</li> <li>• Based on condition that CFO has approved a detailed financial business case/LPMM</li> <li>• Based on condition that this does not impact on approved Treasury Management and Capital Strategy and has no impact on the revenue budget.</li> <li>• Formal report to the Executive.</li> </ul>
		Chief Finance Officer	<p>To approve capital budget additions up to £100,000.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Based on the gross expenditure or gross income separately</li> <li>• Officers to consult with CFO</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>• Based on a detailed financial business case/LPMM</li> <li>• Based on condition that this does not impact on approved Treasury Management and Capital Strategy and has no impact on the revenue budget.</li> <li>• Supporting documentation completed and provided in accordance with financial instruction.</li> <li>• Formal report to Executive (forms part of the financial performance update reports).</li> </ul>
1.2B	New capital schemes outside of the Annual Budget Process with an impact on revenue	Council	<p>Only applicable where changes to Treasury Management and Capital Strategies for any new capital scheme or capital budget allocation has an impact on any approved borrowing limits.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Recommendation from Executive and CFO on any impact on Treasury Management and Capital Strategies and approved borrowing limits.</li> <li>• Based on condition that CFO has approved a detailed financial business case/LPMM</li> <li>• Formal report to the Full Council.</li> </ul>
		Executive	<p>To approve capital budget additions where there is no impact on Treasury Management and Capital Strategies or approved borrowing limits.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Based on the gross expenditure or gross income separately</li> <li>• Officers to consult with CFO</li> <li>• Based on condition that CFO has approved a detailed financial business case/LPMM</li> <li>• Based on condition that this does not impact on approved Treasury Management and Capital Strategy and has no impact on the revenue budget.</li> <li>• Formal report to the Executive.</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
<b>1.3 Capital Budget Removals outside of Annual Budget Process (applicable to all areas)</b>			
1.3A	Removal of capital budgets from the approved programme	Executive	<p>To approve removal of any capital scheme from the approved programmes.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Formal report to Executive.</li> <li>• Requires consultation with CFO</li> </ul>
<b>1.4 Revenue Budget Additions outside of Annual Budget Process (applicable to all areas)</b>			
1.4A	Budget Addition/Removal relating to a new planned activity of service delivery or ceasing of service activity	Council	<p>Only applicable where a supplementary budget estimate is requested.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Recommendation from Executive and CFO on any impact on the Medium-Term Financial Strategy.</li> <li>• Based on the net expenditure and income</li> <li>• Formal report to the Full Council.</li> </ul>
		Executive	<p>To approve budget changes in excess of £75,000 or where it is constituted as being a Key Decision in accordance with the Budget and Policy Framework.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Requires consultation with CFO</li> <li>• Where there is a net nil impact on the overall approved revenue budget</li> <li>• Based on the gross expenditure or gross income separately</li> <li>• Formal report to the Executive</li> </ul>
		Chief Officers	<p>To approve budget changes up to £75,000.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Requires consultation with CFO</li> <li>• Based on condition that Chief Officers have consulted with Portfolio Holder(s)</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Based on the condition that the proposed expenditure is not contrary to Council policy and does not necessitate a key decision.</li> <li>Where there is a net nil impact on the overall approved revenue budget</li> <li>Based on the gross expenditure or gross income separately</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
<b>2. Financial Management</b>			
<b>2.1 Virements - Revenue (applicable to all areas)</b>			
2.1A	Budget Changes within the same budget head (a budget head is defined as a single line in the approved revenue estimates)	Budget Holder	<p>To approve virements of any value between subjective headings within a revenue budget head.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>To be consulted with relevant Assistant Director</li> <li>To be notified to the CFO within one week.</li> <li>Based on the condition that the proposed expenditure is not contrary to Council policy and does not necessitate a key decision.</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
2.1B	Budget Changes between different budget heads (a budget head is defined as a single line in the approved revenue estimates)	Executive	<p>To approve virements over £75,000 between different revenue budget heads and in cases where it is constituted as being a Key Decision in accordance with the Budget and Policy Framework.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Based on the gross expenditure or gross income separately</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Requires consultation with CFO</li> <li>Requires consultation with other affected Assistant Directors if transfers are within another Assistant Directors area of responsibility.</li> <li>Formal report to the Executive</li> </ul>
		Chief Officers	<p>To approve virements in excess of £50,000 and up to £75,000 between different revenue budget heads</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Based on the gross expenditure or gross income separately</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>To be notified to the CFO within one week.</li> <li>Requires consultation with other affected Assistant Directors if transfers are within another Assistant Directors area of responsibility.</li> <li>Based on the condition that the proposed expenditure is not contrary to Council policy and does not necessitate a Key Decision.</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
		Assistant Directors	<p>To approve virements up to £50,000 between different revenue budget heads</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Based on the gross expenditure or gross income separately</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>To be notified to the CFO within one week.</li> <li>Requires consultation with other affected Assistant Directors if transfers are within another Assistant Directors area of responsibility.</li> <li>Based on the condition that the proposed expenditure is not contrary to Council policy and does not necessitate a Key Decision.</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
2.1C	Technical Budget Changes	Chief Finance Officer	<p>To approve any limit on technical budget changes.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Where there is a net nil impact on the overall approved revenue budget</li> <li>Realignment of budgets and other adjustments which do not change the overall approved budget for the Council, e.g. accounting changes etc</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
<b>2.2 Carry Forward Request - Revenue (applicable to all areas)</b>			
2.2A	Treatment of carry forward requests at Financial Year End	Executive	<p>To approve the treatment of Financial Year End Balances for carry forward requests</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>On the condition that there is an overall underspend on the Directorate's cash limit budgets equal to or greater than the carry forward requests</li> <li>Only to be used to fund one-off expenditure</li> </ul>
<b>2.3 Virements - Capital (applicable to all areas)</b>			
2.3A	Individual Capital Scheme Change	Executive	<p>To approve virements over £100,000 and in cases where it is constituted as being a Key Decision in accordance with the Budget and Policy Framework.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Based on the gross expenditure or gross income separately</li> </ul>



## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>Based on condition that there is no impact on the approved Treasury Management and Capital Strategies.</li> <li>Based on the condition that the budget changes have no impact on the approved borrowing limits.</li> <li>Requires consultation with CFO</li> <li>Requires consultation with other affected Assistant Directors if transfers are within another Assistant Directors area of responsibility.</li> <li>Formal report to the Executive.</li> </ul>
		Chief Finance Officer	<p>To approve virements up to £100,000.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Based on the gross expenditure or gross income separately</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>Based on condition that there is no impact on the approved Treasury Management and Capital Strategies.</li> <li>Based on the condition that the budget changes have no impact on the approved borrowing limits.</li> <li>Based on the condition that the proposed expenditure is not contrary to Council policy and does not necessitate a Key Decision.</li> <li>Requires consultation with other affected Assistant Directors if transfers are within another Assistant Directors area of responsibility.</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> <li>Formal report to Executive (forms part of the financial performance update reports).</li> </ul>
2.3C	Technical Budget Changes	Chief Finance Officer	To approve any limit on technical budget changes.

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<u>Notes</u> <ul style="list-style-type: none"> <li>Where there is a net nil impact on the overall approved capital budget</li> <li>Realignment of budgets and other adjustments which do not change the overall approved budget for the Council, e.g. accounting changes etc</li> <li>Based on the condition that the affected budgets continue to provide sufficient resource to deliver the intended policy objectives</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
2.3D	Individual Capital Scheme Slippage or Acceleration.	Chief Finance Officer	<p>To approve any re-profiling of individual capital schemes (approved budget) between current and future financial years.</p> <u>Notes</u> <ul style="list-style-type: none"> <li>Where there is a net nil impact on the overall approved capital budget</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> <li>Formal report to Executive (forms part of the financial performance update reports).</li> </ul>
<b>2.4 Reserves and Balances (applicable to all areas)</b>			
2.4A	Drawdown from and Contribution to Earmarked Reserves	Chief Finance Officer	<p>To approve any value</p> <u>Notes</u> <ul style="list-style-type: none"> <li>Officers to put forward request to drawdown from and/or contribute to reserves for consideration by CFO</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
2.4B	New Earmarked Reserves requests	Chief Finance Officer	<p>To approve any value</p> <u>Notes</u>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"><li>Officers to put forward request to drawdown from and/or contribute to reserves for consideration by CFO</li><li>Supporting documentation completed and provided in accordance with financial instruction.</li></ul>
2.4C	Movement between Earmarked Reserves	Chief Finance Officer	To approve any value.
2.4D	Any permanent ongoing contribution to reserves funded from the revenue accounts	Council	Recommended by Executive
		Executive	<p>To review and recommend to Full Council for approval</p> <p><u>Notes</u></p> <ul style="list-style-type: none"><li>This should be considered and recommended as part of the robustness and adequacy of reserves and balances within the annual budget report.</li><li>Recommendations made based on the advice of the CFO</li><li>Formal report (MTFS and Budget report)</li></ul>
2.5 Budgetary Control (applicable to all areas)			
2.5A	Authorisation of orders and invoices on the Council's financial system and variation/compensation events within contracts	Chief Officers and Assistant Directors	<p>Authorise to any value</p> <p><u>Notes</u></p> <ul style="list-style-type: none"><li>On the condition an appropriate revenue or capital budget exists within the approved budgets and subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.</li></ul>
		Service Managers and Officers on PO	<p>Authorise up to £50,000</p> <p>Notes</p>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
		grade or above that report directly into an Assistant Director or Chief Officer	<ul style="list-style-type: none"><li>On the condition an appropriate revenue or capital budget exists within the approved budgets and subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.</li></ul>
		Team Leaders or Officers below PO grade that report directly into an Assistant Director	Authorise up to £10,000  <u>Notes</u>  On the condition an appropriate revenue or capital budget exists within the approved budgets and subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.
3. Income			
3.1 Fees and Charges			
3.1A	Approval of new Fees and Charges as part of Annual Budget process	Council	Recommended by Executive  <u>Notes</u> <ul style="list-style-type: none"><li>Formal report to Full Council (MTFS and Budget report)</li></ul>
		Executive	To review and recommend to Full Council for approval  <u>Notes</u> <ul style="list-style-type: none"><li>Recommendations made based on the advice of the CFO</li><li>Formal report (MTFS and Budget report)</li></ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
3.1B	Approval of new Fees and Charges outside of Annual Budget process.	Executive	<p>To approve any new Fees and Charges outside of annual budget process.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Recommendations made based on the advice of the CFO</li> <li>• Formal report to the Executive</li> <li>• Where possible consultation with service users should be undertaken.</li> <li>• Where new fees and charges are regulated by statute these do not require the approval of the Executive and can be implemented on the due date.</li> </ul>
3.1C	Variation to set Fees and Charges	Assistant Directors	<p>To approve increases/decreases of up to 50% of established fees and charges.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• To be used only in circumstances where services are obliged through regulations to achieve cost recovery or where other market led factors influence the service and its charging structure.</li> <li>• Consultation required with CFO and Portfolio Holder.</li> </ul>
<b>3.2 Writing off Debts</b>			
3.2A	Debt Write-Off	Executive	<p>Individual debt write off decisions in excess of £5,000.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Formal report to Executive</li> <li>• Requires consultation with CFO</li> </ul>
		All Assistant Directors in the Chief Executive Directorate	<p>Individual debt write-off decisions up to £5,000.</p> <p><u>Notes</u></p>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
		Assistant Director Housing	<p>Individual debt write-off decisions up to £5,000 for housing tenant arrears only</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> </ul>
<b>4. Resources and Asset Management</b>			
<b>4.1 Acquisition and Disposal of Land and Buildings (applicable to all areas)</b>			
4.1A	Asset Acquisitions – Land and Buildings	Council	<p>Only applicable where changes to Treasury Management and Capital Strategies for any new capital scheme or capital budget allocation has an impact on any approved borrowing limits.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Recommendation from Executive and CFO on any impact on Treasury Management and Capital Strategies and approved borrowing limits.</li> <li>Must be based on the recommendation of the Strategic Property Manager</li> <li>Based on condition that CFO has approved a detailed financial business case/LPMM</li> <li>Acquisition to be negotiated through the Strategic Property Manager</li> <li>Formal report to the Full Council.</li> </ul>
		Executive	<p>To approve asset acquisitions (land and buildings) to any value.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Must be based on the recommendation of the Strategic Property Manager</li> </ul>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>• Officers to consult with CFO</li> <li>• Based on condition that CFO has approved a detailed financial business case/LPM</li> <li>• Based on condition that this does not impact on approved Treasury Management and Capital Strategy has no impact on any approved borrowing limits.</li> <li>• Acquisition to be negotiated through the Strategic Property Manager</li> <li>• Formal report to the Executive.</li> </ul>
		Asset Management Group	<p>To approve asset acquisitions (land and buildings) to any value – where due to urgency it is not possible to await an Executive meeting,</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>• Must be based on the recommendation of the Strategic Property Manager</li> <li>• Must be in consultation with the City Solicitor, Chief Finance Officer, the Leader of the Council, the Deputy Leader of the Council and the Portfolio Holder for Economic Growth or Portfolio Holder for Housing (if HRA acquisition)</li> <li>• Based on condition that CFO has approved a detailed financial business case/LPMM</li> <li>• Based on condition that this does not impact on approved Treasury Management and Capital Strategy and has no impact on any approved borrowing limits.</li> <li>• Formal report to next available Executive meeting</li> <li>• Only to be used in circumstances when due to urgency it is not possible to wait until the next available Executive meeting.</li> </ul>
4.1B	Asset Disposals – Land and Buildings	Executive	<p>To approve asset disposals (land and buildings)</p> <p><u>Notes</u></p>

## PART B – FINANCIAL APPROVAL LIMITS

Ref.	Description	Authoriser	Threshold
			<ul style="list-style-type: none"> <li>Asset must be declared surplus to requirements by the relevant Assistant Director and to have established if there is any other need within the Council.</li> <li>Must be based on the recommendation of the Strategic Property Manager</li> <li>Officers must consult with the CFO</li> <li>Formal report to the Executive</li> <li>Disposal route to be determined by the Strategic Property Manager</li> </ul>
<b>4.2 Disposal of Items of Inventory, Stocks and Stores (applicable to all areas)</b>			
4.2A	Asset Disposals – Non Land and Buildings	Assistant Directors	<p>To approve the disposal of inventory, stocks and stores of any value</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> <li>Does not apply to sale of items in the ordinary course of business where a price has already been fixed by the Council.</li> <li>On the basis that the items are not buildings or land.</li> <li>Where the value of items is estimated at less than £10,000 the Assistant Director can determine the disposal procedure, in line with 9.7.2.</li> <li>Where the value of items is estimated to be above £10,000 then the Assistant Director must determine which from a list, as per 9.7.3, of disposal options is most appropriate.</li> <li>Supporting documentation completed and provided in accordance with financial instruction.</li> <li>To be notified to the CFO</li> </ul>



**AUDIT COMMITTEE****15 NOVEMBER 2022****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2022/23****DIRECTORATE: CHIEF EXECUTIVE****REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER****1. Purpose of Report**

- 1.1 To provide details of the Audit Committee work programme for 2022/23.

**2. Background**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2018 Edition, as providing those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared and members will gain the knowledge and experience needed to carry out their role effectively.
- 2.2 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reported to the Committee.

**3. 2022/23 Work Programme**

- 3.1 The proposed work programme for 2022/23, based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. The frequency of meetings has been reviewed and is considered appropriate for 2022/23.
- 3.2 There have been six changes made to the work programme for the November meeting:-
- The meeting on 27<sup>th</sup> September was cancelled due to the period of national mourning and all items have been moved to the November meeting
  - The review of the Committee's Terms of Reference has been moved to June 2023 so that the review can take into account CIPFA's position statement and align with the commencement of the new Committee membership. The guidance was published in October.
  - The Partnership report has been moved to the December meeting to allow time for the information to be provided.

- The review of the revised Financial Procedures Rules has been added.
- External audit require approval of the Non-audit services for 2021/22 at this meeting so this has been added.
- The External audit progress report due for the September Committee has now been superseded by the final audit report on the accounts.

Any further changes to this work programme will be reported to the Committee at each of its meetings.

3.3 A copy of the Audit Committee's Terms of Reference is attached at Appendix A.

#### **4. Learning and Development**

4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.

4.2 Members need to consider annually their learning and development plan to support them in delivery of their roles. During 2022/23 the following training is scheduled:

- 6<sup>th</sup> June 2022 – Audit Committee Effectiveness – this was cancelled and rescheduled to 30<sup>th</sup> June
- 7<sup>th</sup> July 2022 – Local Government Financial Statements
- 31<sup>st</sup> January 2023 – Treasury Management
- TBC – Risk Management
- TBC – Counter Fraud learning

#### **5. Strategic Priorities**

5.1 The Internal Audit Service and Audit Committee contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

#### **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 – There are no direct legal implications arising as a result of this report.

6.3 Equality, Diversity and Human Rights

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

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

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

Due to the nature of the report, no specific Equality Impact Analysis is required.

## 7. Risk Implications

7.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

## 8. Recommendation

8.1 Audit Committee are asked to comment on and agree on the work programme for 2022/23.

Key Decision No

Do the Exempt Information Categories Apply? No

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

How many appendices does the report contain? Two

List of Background Papers: None

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**9.1 Audit Committee**

The Council will appoint an Audit Committee.

**9.2 Composition**

Audit Committee

(a) The Audit Committee will comprise • seven Councillors • one independent member

(b) The seven councillors of the Audit Committee should include the Chair of Performance Scrutiny Committee.

(c) A member of the Executive may not be a member of this Committee

**9.3 Statement of purpose**

(a) The Audit Committee will have the following roles and functions:

(b) The audit committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

(c) The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

(d) To decide upon and authorise allowances to the Committee's Independent Member.

**Governance, risk and control**

(a) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(b) To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate

(c) To appoint Lead Member to monitor and oversee Information Governance practices within the Council along with the Information Governance Board.

(d) To monitor the effectiveness of the Authority's risk management Arrangements (development and operation),

(e) To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks);

(f) To monitor the counter-fraud strategy, actions and resources.

(g) To monitor progress in addressing risk-related issues reported to the committee.

(h) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules;

(i) To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee

(j) To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and

supporting assurances (including internal audit's annual opinion on governance, risk and control)

(k) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

(l) To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)

(m) To review the governance and assurance arrangements for significant partnerships or collaborations.

(n) To consider the Council's compliance with its own and other published standards and controls;

(o) To report and make recommendations to Executive or Council on major issues and contraventions;

(p) To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.

(q) To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.

(r) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **Internal audit**

(a) Receive and consider the annual report and opinion of the Internal Audit Manager including conformance with Internal Audit Standards

(b) Review a summary of internal audit activity including internal audit reports on the effectiveness of internal controls, seeking assurance that action has been taken where necessary on the implementation of agreed actions;

(c) To consider summaries of specific internal audit reports as requested by the Audit committee.

(d) To Approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.

(e) Audit Committee Chair to approve significant interim changes to the risk based internal audit plan and resource requirements followed by report to Audit Committee.

(f) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(g) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments

(h) To monitor audit performance, including QAIP results and any nonconformance with PSIAS and LGAN.

(i) To consider whether the non-conformance is significant enough that it must be included in the AGS

(j) Consider the annual review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations

(k) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years

(l) To receive reports outlining the action taken where the Audit manager has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions

(m) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

(n) To have the right to call any officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

(o) To approve the internal audit charter.

### **External audit**

(a) To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance

(b) To consider specific reports as agreed with the external auditor.

(c) To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

(d) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(e) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

(f) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

(l) To commission work from internal and external audit, as required, and as resources allow;

### **Financial reporting**

(a) The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

(b) To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

c) The Committee will monitor management action in response to any issues raised by external audit 151

### **Accountability arrangements**

(a) To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## **9.4 Proceedings of the Audit Committee**

(1) The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26 of the Council Procedure Rules set out in Part 4 of this Constitution.

## **9.5 Quorum**

### **Audit Committee**

The quorum for any meeting of the Audit Committee shall be three Councillors.

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**AUDIT COMMITTEE  
AUDIT WORK PROGRAMME FOR 2022/23**

<b>Meeting dates</b>	<b>Audit Items – Revised Agenda</b>	<b>Training (Suggested)</b>
<b>6<sup>th</sup> June 22</b>		<b>Audit Committee Effectiveness (Cancelled)</b>
<b>14<sup>th</sup> June 22</b>	<ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Fraud &amp; Error Report</li> <li>• Internal Audit Charter</li> <li>• External Quality Assessment Report</li> <li>• External Audit – Audit Planning Update 2021/22 and Progress Report</li> <li>• External Audit – Audit Completion Report 2020/21 – Follow Up Letter</li> <li>• External Audit – Annual Auditor’s Report 2020/21</li> <li>• Audit Committee Work Programme</li> </ul>	
<b>30<sup>th</sup> June 2022</b>		<b>Audit Committee Effectiveness</b>
<b>7<sup>th</sup> July 2022</b>		<b>Local Government Financial Statements</b>
<b>19<sup>th</sup> July 22</b>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Internal Audit recommendations Follow Up</li> <li>• Annual Governance Statement (Draft)</li> <li>• Statement of Accounts (Draft)</li> <li>• Risk Management Annual Update</li> <li>• Audit Committee Work Programme</li> </ul>	
<b>27<sup>th</sup> Sept 22</b>	<ul style="list-style-type: none"> <li>• Meeting cancelled and items moved to 15<sup>th</sup> November</li> </ul>	
<b>15<sup>th</sup> Nov 22</b>	<ul style="list-style-type: none"> <li>• Statement of Accounts (including Annual Governance Statement) (Final)</li> <li>• External Audit – Audit Completion report (21/22)</li> <li>• External audit – Annual Audit letter (21/22)</li> <li>• Information Governance Update</li> </ul>	

	<ul style="list-style-type: none"> <li>• Annual Governance Statement Monitoring</li> <li>• Financial Procedure Rules</li> <li>• Internal Audit Progress Report</li> <li>• Internal Audit Revised Plan</li> <li>• Counter Fraud Policies – Whistle Blowing</li> <li>• Annual Complaints Report</li> <li>• Assessment of going concern status</li> <li>• Approval of External Audit 2021/22 Non-audit services</li> <li>• Audit Committee Work Programme</li> </ul>	
13 <sup>th</sup> Dec 22	<ul style="list-style-type: none"> <li>• Internal Audit progress report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Six Month Fraud &amp; Error Report</li> <li>• Annual Governance Statement Monitoring</li> <li>• Audit Committee Work Programme</li> <li>• Partnership Governance</li> </ul>	
31 <sup>st</sup> Jan 23	<ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Treasury management policy and Strategy</li> <li>• Annual Fraud Risk Register Update</li> <li>• Code of Corporate Governance Update</li> <li>• External Audit – Audit Strategy Memorandum</li> <li>• Audit Committee Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Management</li> </ul>
21 <sup>st</sup> Mar 23	<ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Combined Assurance Report</li> <li>• Internal Audit Strategy and Plan 22/23</li> <li>• Counter Fraud Policies – Money Laundering</li> <li>• Statement on Accounting Policies</li> <li>• IAS19 – Assumptions</li> <li>• External Audit Inquiries</li> <li>• External Audit Progress Report</li> </ul>	

## APPENDIX B

	<ul style="list-style-type: none"> <li>• Annual Governance Statement Monitoring</li> <li>• Information Governance update</li> <li>• Partnership Governance</li> <li>• CIPFA Financial Management Code</li> <li>• Audit Committee Work Programme</li> </ul>	
<b>Date to be agreed</b>		<ul style="list-style-type: none"> <li>• Counter Fraud (e-learning)</li> </ul>

*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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**SUBJECT: INFORMATION GOVERNANCE UPDATE**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: DATA PROTECTION OFFICER (DPO)**

**1. Purpose of report**

- 1.1. To update committee on Information Governance management. This includes monitoring of the council's compliance with data protection legislation including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).

**2. Background of reporting**

- 2.1. Reports are submitted on a bi-annual basis the last report being provided to committee in March 2022.

**3. Information governance risk register**

- 3.1 Attached at Appendix A (Part B) is the updated Information Governance risk register. The following risks are highlighted for comment:

**4 Training**

- 4.1 Data protection training is a legal requirement. The Information Commissioner's Office (UK regulator) recommends it is renewed every 2 years and preferably annually for an organisation such as the council. The council have agreed to renew training annually for all staff/members and to provide training for all staff/members on induction.
- 4.2 The council deploy training provided by an external provider. The training is accredited by the National Cyber Security Centre (NCSC) and covers both data protection and cyber security training. The need for cyber security training is essential particularly given the increase in staff working remotely and cyber activity due to global events.
- 4.3 The training includes a higher-level training package for Information Asset Owners (IAO's) 'Data Confident' and a bespoke training package for members, 'Cyber Ninja's for councillors' (CN4C) which reinforces members hold individual responsibility for data protection as 'controllers' when processing constituents' personal data.
- 4.4 As at the end of September 2022 the training completion levels are around 89%.
- 4.5 100% completion of the training is not achievable as the staff list is constantly changing and as staff leave and new join the percentage rate will go down until the training is completed. Staff without network access who do not normally

process personal data as part of their role, complete a low-risk form detailing the principles of data protection.

- 4.6 The council have updated Cyber Ninja's training for 2022 which is now live and available to new starters and a Refresher course, as a follow up for all those who have completed Cyber Ninja's previously, will be issued by the end of the year.
- 4.7 IAO's complete an annual 'IAO Checklist'. The checklist requires them to assess their information assets by reviewing the corporate Information Asset Register, Information Sharing Agreements, Privacy notices and Contracts are compliant and personal data is being disposed of in accordance with Retention & Disposal schedules.
- 4.8 Checklists have been submitted for this year and no major issues were reported by IAO's with compliance. The DPO met with IAO's when requested to go through this assessment process and IAO's new to the role.

## **5. Policies and Data Protection Reform**

- 5.1 Data Protection Reform is currently being considered by Parliament in the Data Protection and Digital Information Bill. The Bill proposes amendments to the Data Protection Act 2018, UK GDPR and the Privacy and Electronic Communications Act.
- 5.2 There is a Briefing note regarding the Bill at **Appendix B** which sets out the proposed changes which would impact the council.
- 5.3 The council's Information Governance policies are due for renewal in January 2023 and relevant policies/procedures will need to be updated when the Bill becomes Law.

## **6. Management of documents in Microsoft Office 365**

- 6.1 Full use of the Microsoft Office 365 suite including Microsoft Teams and SharePoint is almost completely rolled out across the council.
- 6.2 Proposals for management of documents including retention in Microsoft Teams have been approved. It is essential that retention & disposal is implemented from the outset and that existing data held in electronic drives is cleansed and deleted where possible before any data is migrated over. This will ensure the council does not retain personal data longer than necessary and is key to business efficiency/transformation of the council.
- 6.3 Suppliers have been instructed to assist the council with data migration and retention policies and have recently provided a proposed plan for implementation.

## **7. Annual Governance Statement (AGS)**

- 7.1 The AGS status for Information Governance was downgraded from Red to Amber due to progress made in the implementation of the GDPR. IG has since been removed from the AGS although remains closely monitored with reports

being submitted biannually to IG Board (CLT), and Audit Committee as well as CMT as and when required

## **8. Strategic Priorities**

- 8.1 This work ensures that staff are high performing in their collection and processing of customer's data. It also assists to ensure that the council is trusted to deliver the services and ensures compliance.

## **9. Organisational Impacts**

- 9.1 Finance (including whole life costs where applicable)

There are no financial implications arising from this report, as the resources will come from existing budgets.

- 9.2 Legal Implications including Procurement Rules

There are no legal implications arising out of this report.

- 9.3 Equality, Diversity and Human Rights

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

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

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

There is no impact arising from this report regarding these issues.

## **10. Risk Implications**

- 10.1 The council must comply with data protection legislation. Non-compliance may result in enforced external audits, enforcement notices, monetary fines, criminal prosecutions of individual's, compensation claims and loss of public/partner trust.

## **11. Recommendation**

- 11.1 To note the content of the report and provide any comment.

**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?** 2

**List of Background Papers:** None

**Lead Officer:** Data Protection Officer,  
Sally Brooks



## **Data Protection and Digital Information Bill**

### **Briefing note November 2022.**

The Bill proposes amendments to the Data Protection Act 2018, UK GDPR and Privacy and Electronic Communications Regulations (PECR).

The Bill is currently making its way through parliament.

Progress of the Bill can be viewed here: [Data Protection and Digital Information Bill – Parliamentary Bills – UK Parliament](#)

Proposals in the Bill that would impact the council:

#### **1) Definition of personal data**

Revised back to pre-GDPR times. Only if data controller can identify, or person they are giving it to can identify (directly or indirectly).

This limits the assessment of identifiability of the data to the controller/processor and person to receive the data rather than anyone in the world.

This could make it easier for organisations to achieve data anonymisation-no longer need to consider potential future identifiability only identifiability at the time of processing. But this does not change the risk of indirect identification.

#### **2) Subject Access Requests**

Can refuse requests as 'vexatious or excessive'

This would replace the provisions in UK GDPR currently to refuse "manifestly unfounded" or "excessive" requests.

Examples of vexatious requests in the Bill are those intended to cause distress, not made in good faith, or that are an abuse of process.

Arguably the proposed new provision already exists in the current provision of "manifestly unfounded".

#### **3) Data Subject's Complaints**

The Bill expressly provides that data subjects can complain to the controller (council). The council must acknowledge within 30 days and respond, "without undue delay".

The Bill provides that if the data subject has not made a complaint first to the controller the Information Commissioner's Office (ICO) may refuse to act on the complaint.

This should prevent data subject's making complaints directly to the ICO without first seeking address through the council's complaints procedures.

The council may also be required to provide the ICO with the number of complaints on request, so these types of complaints will need to be recorded separately.

#### **4) Data Protection Impact Assessments**

DPIAs would be referred to as 'Assessments of High Risk Processing' (of the envisaged processing operations on the protection of personal data) proposing to be a leaner and less prescriptive with no requirement to refer any residual high risks to the ICO (optional).

SRI would not be required to sign off the new assessments.

#### **5) Records of Processing Activities**

The Bill proposes to replace with leaner “Record of Processing of Personal Data”

#### **6) Use of personal data for a different purpose**

Proposes data controllers have more scope for re-using data for a compatible purpose.

#### **7) Automated processing**

The Bill proposes to weaken current provision in UK GDPR providing a right not to be subject to decisions based solely on automated processing.

It would only apply to “significant decisions” rather than decisions that produce legal or similarly significant effects.

It is unclear whether this will make any practical difference.

#### **8) Politicians**

The Bill proposes political parties and representatives, and candidates have more ability to directly market and process data about individuals, including 'democratic engagement' as a 'recognised legitimate interest' to over 14s.

#### **9) Law enforcement processing**

The Bill proposes to remove requirement to have logging audit trails.

#### **10) International transfers of personal data**

The Bill proposes a leaner “data protection test” in replacement to the current Transfer Impact Assessment (TIA).

This would involve determining if the standard of protection provided to data subjects in the recipient country is not materially lower than the standard in the UK.

The explanatory notes to the Bill state the assessment would be based on outcomes for the overall protection for a data subject rather than a point-by-point comparison.

This lighter touch approach may attract the attention of the EU when deciding whether to extend the UK's current adequacy decision.

#### **11) Data Protection Officer**

The Bill proposes the removal of the legal obligation to appoint a Data Protection Officer.

Replaces for public bodies (the council) and those carrying out high risk processing the legal requirement for a Senior Responsible Individual (SRI)

SRI tasks or securing tasks are performed by another person:

- (a) monitoring compliance by the controller with the data protection legislation;
- (b) ensuring that the controller develops, implements, reviews and updates measures to ensure its compliance with the data protection legislation;
- (c) informing and advising the controller, any processor engaged by the controller and employees of the controller who carry out processing of personal data of their obligations under the data protection legislation;

- (d) organising training for employees of the controller who carry out processing of personal data;
- (e) dealing with complaints made to the controller in connection with the processing of personal data;
- (f) dealing with personal data breaches;
- (g) co-operating with the Commissioner on behalf of the controller;
- (h) acting as the contact point for the Commissioner on issues relating to processing of personal data.

The SRI must be part of the senior management team

("senior management", in relation to an organisation, means the individuals who play significant roles in the making of decisions about how the whole or a substantial part of its activities are to be managed or organised).

The SRI must delegate to someone else where there is a conflict of interest in performing one of their tasks above.

The SRI does not need expert knowledge themselves in data protection.

SRI is independent (but can delegate and must if conflict of interest) or given resources etc.

If the SRI delegates their tasks they must consider

- a) the other person's professional qualifications and knowledge of the data protection legislation,
- (b) the resources likely to be available to the other person to carry out the task, and
- (c) whether the other person is involved in day-to-day processing of personal data for the controller or processor and, if so, whether that affects the person's ability to perform the task.

## **12) Regulators**

The Bill proposes to abolish the Information Commissioner's Office and replace with an Information Commission (with a chair and mainly same role and responsibilities)

Abolish Biometrics Commissioner and (some of) their functions transferred to the Investigatory Powers Commissioner.

Abolish Surveillance Camera Commissioner and Surveillance Camera Code of Practice for state (including the council) use of CCTV and ANPR.

## **13) Information sharing**

The Bill proposes to extend powers to allow data sharing to deliver public services and businesses.

The extended powers are stated in the proposals to enable businesses to access government services and support more easily, giving them easier access to information, guidance, and business support services.

The proposals states this is to support appropriate data sharing across the wider health and adult social care sector, beyond the current crisis (with information standards)

#### **14) Privacy and Electronic Communications Regulations**

The Bill proposes to permit organisations which have charitable, political, or non-commercial objectives to send electronic marketing communications without consent where they have an existing supporter relationship with the recipient.

Also proposes to increase fines for infringement of PECR from a maximum of £500,000 to UK GDPR levels (up to 17.5 million or 4% of global turnover whichever the higher)

#### **15) Cookies**

The Bill proposes to allow cookies to be used without consent for the purposes of web analytics and to install automatic software updates.

#### **16) Research**

Proposes potential to use data already collected for research purposes without having to give new privacy notice if disproportionate effort.

#### **17) Future reform**

The Bill proposes the Secretary of State can amend the provisions through regulations, avoiding Parliament.

<b>SUBJECT:</b>	<b>EXCLUSION OF THE PRESS &amp; PUBLIC</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE &amp; TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>CAROLYN WHEATER, MONITORING OFFICER</b>

**1. Purpose of Report**

- 1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

**2. Recommendation**

- 2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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