

## AUDIT COMMITTEE

**Monday, 17 July 2023**
**6.00 pm**
**Committee Rooms 1-2, City  
Hall**

Membership:	Councillors Chris Burke (Chair), David Clarkson, Thomas Dyer, Gary Hewson, Clare Smalley, Calum Watt and Emily Wood (Vice-Chair)
Substitute member(s):	Councillors Natasha Chapman, Martin Christopher, Pat Vaughan and Aiden Wells
Independent Member:	Jane Nellist
Officers attending:	Democratic Services, Jaclyn Gibson, Amanda Stanislawski and Colleen Warren

## A G E N D A

<b>SECTION A</b>	<b>Page(s)</b>
<b>A TRAINING SESSION WILL BE HELD IMMEDIATELY PRIOR TO THE START OF THIS MEETING AT 5.00PM IN RELATION TO AUDIT COMMITTEE EFFECTIVENESS</b>	
1. Confirmation of Minutes -6 June 2023	<b>3 - 10</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. Statement of Accounts 2022/23	<b>11 - 170</b>
4. Internal Audit Progress Report	<b>171 - 196</b>
5. Internal Audit Recommendations Follow Up	<b>197 - 208</b>
6. External Audit Progress Report	<b>209 - 226</b>
7. Audit Committee Work Programme 2023/24	<b>227 - 238</b>
8. Risk Management Annual Update	<b>239 - 254</b>
9. Exclusion of Press and Public	<b>255 - 256</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**

10. Risk Management Annual Update - Appendix B

**257 - 274**

**Present:** Councillor Chris Burke (*in the Chair*)

**Councillors:** David Clarkson, Thomas Dyer, Gary Hewson,  
Calum Watt, Aiden Wells and Emily Wood

**Independent Member:** Jane Nellist

**Apologies for Absence:** Councillor Clare Smalley

**1. Confirmation of Minutes - 21 March 2023**

RESOLVED that the minutes of the meeting held on 21 March 2023 be confirmed and signed by the Chair.

**2. Declarations of Interest**

No declarations of interest were received.

**3. Annual Internal Audit Report**

Amanda Stanislawski, Audit Manager:

- a. presented the Annual Internal Audit Report to the Audit Committee for comments.
- b. explained that the purpose of the Annual Internal Audit Report as outlined at Appendix A was to provide a summary of Internal Audit work undertaken during 2022/23, timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment
- c. highlighted that:
  - The three areas, Governance, Risk, Internal Control and Financial Control were working well having no concerns that significantly affected the governance framework and successful delivery of the Council priorities.
  - Internal control was assessed as performing adequately – some improvements were identified over the Council's Governance, Risk and Control Framework. This was due to a number of factors which included there being two Limited Assurance reports this year and an increase in the number of high recommendations. There was however, a significant reduction in the number of outstanding actions from prior years.
- d. explained that there had been no restrictions on the scope of the work to be undertaken; the reduction in time due to the Auditor and Principal Auditor leaving had been covered through the employment of consultants and removal of items from the plan.

- e. advised that the performance of the Internal Audit Service remained good with 91% of the revised plan being completed and a high level of customer satisfaction. Performance had been impacted due to capacity in some areas including audit span and the ability to chase management responses.
- f. gave an update on the current staffing level within Internal Audit and explained that the post of Principal Auditor and Auditor were currently being advertised for recruitment.
- g. invited members questions and comments.

**Comment:** Expressed concerns about the difficulties in recruiting and retaining staff.

**Response:** Recruitment in Local Government was currently a national problem. Recruitment was currently taking place to try and appoint a Principal Auditor. Back stop measures such as external resource and a casual auditor had been employed to ensure that audits would be completed.

**Questions:** Commented that only 14 out of 59 recommendations had been implemented following an audit, leaving a substantial amount of recommendations outstanding, and asked for more details.

**Response:** A lot of the Audits were completed later in the year, therefore there had not been time to implement the recommendations, they were not due for implementation yet and the deadlines had not been missed.

**Question:** Asked if an exit interview took place when a member of staff left the Authority and further asked if the statistics regarding the reasons why staff were leaving could be shared with Audit Committee.

**Response:** An exit interview was offered to staff, but these were optional. The data collected was shared with the Corporate Management Team. This information did not fall within the scope of Audit Committee and suggested that it be raised at Performance Scrutiny Committee.

**Question:** Referred to the Critical activities identified by Management as having a low level of assurance in relation to Combined Assurance and asked what PCIDSS stood for.

**Response:** Clarified that the acronym was for Payment Card Industry Data Security Standard.

**Question:** Further asked for details on the issues with the activities listed in the report.

**Response:** There were issues for a variety of reasons some included:

- Legal – Issues with capacity
- Elections – New regulations
- Events and Culture – The Christmas Market
- Tree Management – Would be circulated following the meeting
- Leisure – Covid 19 and increased energy costs

**Question:** Asked if performance monitoring and management were still taking place whilst staff worked from home.

**Response:** Yes, performance was being monitored and the management style had been adapted for home working.

**Question:** Asked if risk management training would take place in 2022/23.



**Response:** Risk management training had been scheduled for 16 August 2023 for all members.

**Question:** Asked why there were delays in obtaining responses to draft reports.

**Response:** The biggest problems were the staffing issues in the areas themselves who were having to prioritise their work.

**Question:** Referred to IT Asset Management and asked if a physical inventory list was being completed.

**Response:** A response would be circulated following the meeting.

RESOLVED that the contents of the report and appendices be noted

#### 4. **Annual Fraud Report**

Amanda Stanislawski, Audit Manager:

- a. presented a report to update Audit Committee on the performance against the 2022/23 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations
- b. summarised the number of fraud cases during 2022/23 compared to the previous year and advised that overall, there had been a general reduction in cases with the exception of NFI where the 2022 exercise had resulted in a significant increase from 322 to 622 for Housing Benefit and Council Tax Reduction (HB/CTR). The 2020 NFI exercise had resulted in 27 errors being identified with HB/CTR saving £39, 351, with an additional £39,076 currently being recovered. There had not been a review of Single Person Discounts undertaken this year.
- c. gave an overview of the progress that had been made against completing the actions within the Counter Fraud Action Plan as detailed at paragraph 2.2 of the report
- d. further updated members on the following areas of work that had been undertaken as detailed within the report:
  - Whistleblowing Referrals in Relation to Housing Benefit, Housing Tenancy and Single Person Discount
  - Cyber Crime
  - Housing Tenancy
  - Counter Fraud Risk Register
- e. invited members questions and comments.

**Question:** Asked how the Council identified fraud in relation to single person discount.

**Response:** There were a range of methods. A contract with Lincolnshire County Council and the other Districts was being procured to undertake rolling single person discount reviews, this would look at information from credit agencies, mail shots and they would also undertake data matching exercises.

**Question:** Referred to payroll and resources and asked if the fraudulent attempt to change a member of staffs bank details was related to a previous cyber-attack in relation to phishing emails.

**Response:** The previous cyber-attack was unsuccessful. They did not harvest passwords and the individual affected immediately changed their password. The only information harvested were corporate email addresses which were already easily available. The individual affected was advised to check that all of their personal data was in order.

**Question:** Further asked if the attempt to change bank details was made from a corporate email address?

**Response:** It was requested from a home email address.

**Comment:** Referred to photographic ID in relation to elections and commented that it could potentially be a deterrent for voting and that electors needed to be made aware of future changes to postal votes.

**Question:** Referred to the fraud risk register and asked if the purchase order system was audited.

**Response:** Yes, the purchase order system was audited.

**Question:** Commented that invoicing and matching purchase orders had a low target and a low achievement rate and expressed concern that 39% of invoices did not have the authority to make a purchase.

**Response:** It was best practice to provide a purchase order when placing an order, however, if a purchase order was not provided it did not mean that the purchase was not authorised. A system of delegation was in place according to the financial procedure rules and purchases could be made and authorised according to the delegation. It was re-iterated that although it was best practice to provide a purchase order, if one was not provided, it did not mean that purchases were being made without authority.

RESOLVED that the contents of the report be noted.

## **5. Annual Governance Statement 2022/23**

Michelle Hoyles, Business Manager Corporate Policy and Transformation:

- a. presented a report to inform Audit Committee that the Annual Governance Statement (AGS) had been prepared, a copy of which was attached at Appendix A of the report.
- b. explained that the AGS was required to be published as part of the draft Statement of Accounts, which had a statutory publication date of 31 May 2023. Subsequently, the final AGS was included in the audited Statement of Accounts which were to be published by 30 September 2023.
- c. advised that no new significant issues had been identified for inclusion in the AGS 2022/23 , and as such the document concluded that governance arrangements at City of Lincoln Council remained effective.
- d. explained that during the annual review, two governance issues were identified for further discussion to determine if they met the 'significant' threshold, these were:
  - Recruitment issues and limited capacity within frontline Council services, and equivalent issues within internal professional support

- services that provide the advice and oversight necessary to ensure effective governance of significant and complex projects; and
- Ongoing need to ensure financial, legal and procurement advice was sought for projects in a timely manner

- e. further explained that both issues were assigned the RAG rating 'amber'. It was therefore proposed that whilst neither met the 'significant governance issue' threshold, both nonetheless required ongoing monitoring.
- f. invited members questions and comments.

Members referred to the proposed activity for the coming year and asked if work had commenced on Vision 2030.

Michelle Hoyles, Business Manager Corporate Policy and Transformation advised that this action related to the Lincoln Performance Management Framework which would underpin Vision 2030. Work on Vision 2030 had not started yet.

RESOLVED that the contents of the Annual Governance Statement 2022/23 be noted and incorporated into the Council's draft Statement of Accounts.

## **6. Audit Committee Work Programme 2023/24**

Amanda Stanislawski, Audit Manager

- a. presented a report to inform members of the Audit Committee on the work programme for 2023/24 as detailed at Appendix B 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:

RESOLVED that the contents of the Audit Committee work programme 2023/24 be noted.

## **7. Information Governance Update**

Sally Brooks, Data Protection Officer:

- a. presented a report to update Audit Committee on progress made with Information Management monitoring the Council's compliance with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)
- b. highlighted that update reports were submitted to Audit Committee on a bi-annual basis. The last report was provided in November 2022.

c. provided details of the following key areas:

- Data Protection Training (Risk 1)
- Data Protection Reform ( Risk 3- Policies and Procedures)
- Retention and Disposal of Personal Data/ Records ( Risk 5)
- Data Subject's Rights (Risk 8)
- Annual Governance Statement (AGS)

d. invited members' questions and comments;

Members referred to the disposal of personal data/records and asked how a data cleanse would be carried out.

Sally Brooks, Data Protection Officer explained that the data cleanse would take place via an automated system which would be set to remove data based on the legal retention requirements. This would ensure that no data was kept longer than necessary which was key for business efficiency.

RESOLVED that the content of the report be noted.

#### **8. Exclusion of Press and Public**

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

#### **9. Information Governance Update - Appendix A**

Minute number 7 included details of the discussion associated with this item.

*(Only Appendix A Information Governance Risk Register was contained here as exempt information.)*

## Audit Committee – Member request monitoring table

Date of committee – 6 June 2023

Action No.	Name of committee report	Information requested / question asked	Member name	Officer responsible for providing response	Date response provided	Response
1	Annual Internal Audit Report	Referred to the Critical activities identified by Management as having a low level of assurance in relation to Combined Assurance and asked for details on the issues with the activities listed in the Report. It was advised that more information on Tree Management would be circulated following the meeting	Cllr Dyer	Simon Walters/ Steve Bird	20/06/2023	Trees- This related to a lack of proactive tree surveys. A budget has now been established for proactive surveys, and work has now started to survey all city council owned trees according to a hierarchy of risk (highest risk areas first). Any work identified by the surveys will be actioned according to risk. The level of risk has been mitigated, and assurance will continue to improve as the surveys progress.
2	Annual Internal Audit Report	Referred to IT Asset Management and asked if a physical inventory list was being completed.	Cllr Clarkson	Amanda Stanislawski	20/06/2023	The Audit of IT Asset Management has now been completed and has raised a number of issues which are currently being clarified before the report is finalised. This will be presented to the Committee as soon as possible.'

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**AUDIT COMMITTEE**

**17 JULY 2023**

**SUBJECT: STATEMENT OF ACCOUNTS 2022/23**

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

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

**1. Purpose of Report**

- 1.1 To present the Statement of Accounts for the financial year ended 31<sup>st</sup> March 2023, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

**2. Executive Summary**

- 2.1 The Statement of Accounts (SOA) for 2022/23 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 draft Statement of Accounts for 2022/23 by 31<sup>st</sup> May 2023 with an audit opinion and certificate by no later than 30<sup>th</sup> September 2023.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2022/23 are still subject to external audit. The audit of the accounts is being undertaken by Mazars, who will commence the audit in July. 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 are presented for approval.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from Mazars, this runs from 1st June until 15<sup>th</sup> June 2023 and the External Auditor is available to answer questions during this period.
- 2.5 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement AGS), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2022/23 was substantial (green) and is in line with the Council's Code of Corporate Governance. Substantial progress has been made against the significant issue in relation to the IT Disaster Recovery Plan, that was included in the previous year's AGS, to the extent that the issue is no longer a significant governance issue. There were no new significant governance issues that were identified for inclusion in the 2022/23.

### 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. The Accounts are then released to be audited by the Council's external auditor, Mazars. After completion of the audit the accounts must be published with the audit opinion and certificate, and before that must have been approved by Full Council, by no later than 31<sup>st</sup> July each year. However, amended Regulations published in 2022 have extended this date to 30<sup>th</sup> September for a period of 6 years i.e. up to 2027/28. The timescales involved with the approval of the Statement of Accounts for 2022/23 are therefore as follows:

- |   |                                 |
|---|---------------------------------|
| a) Report draft accounts to Audit Committee | 17 <sup>th</sup> July 2023      |
| b) Report to Audit Committee                | 12 <sup>th</sup> September 2023 |
| c) Report to the Executive                  | 18 <sup>th</sup> September 2023 |
| d) Approval by Council                      | TBC                             |

3.2 In order to ensure that the statutory deadline of 30<sup>th</sup> September 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. Training has been provided prior to this meeting to assist members in their understanding of the accounts and a short summary of the accounts will be produced to accompany the Final Statement of Accounts when it is presented to members in September. The remainder of this report sets out a summary, which highlights the key figures in the financial statements which it is hoped will prompt questions in order for the Council to promote greater accountability and transparency for the significant sums of public money entrusted to the Council.

### 4. Summary of Key Issues in the Financial Statements

#### 4.1 The Comprehensive Income and Expenditure Statement

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (SOA page 27) – 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 57)) 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 £24.890m in the CIES to the outturn position of a increase in General Fund Balances of £0.218m and a increase on HRA balances of £0.159m as reported in the Financial Outturn report (Executive 30<sup>th</sup> May 2023).

	£m	£m
<b>Net (surplus)/deficit on the Provision of Services</b>		<b>(24.890)</b>
<i>Of which:</i>		
<b>General Fund</b>	£m	£m
Net (surplus)/deficit on the Provision of Services		(1.808)
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	(1.684)	
Revenue expenditure funded from capital under Statute	(4.461)	
Direct Revenue financing of capital expenditure		
Gain/loss on the sale of non-current assets	0	
Contribution to/from the pensions reserve	(1.605)	
Debt repayment and premiums & discounts on debt	0.824	
Short-term compensated absences	0.058	
Contribution to Government's Housing Capital Receipts Pool	0	
Capital grants & contributions unapplied credited to CI&ES	9.445	
Adjustment for Collection Fund	4.661	
Adjustment for Financial Instruments	0.002	
Transfer to/from Earmarked reserves	(5.650)	
<b>Total Adjustments</b>		<b>1.590</b>
<b>(Increase)/decrease in General Fund Balances</b>		<b>(0.218)</b>
<i>Of which:</i>		
<b>HRA</b>	£m	£m
Net (surplus)/deficit on the Provision of Services		(23.082)
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	19.798	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	0.627	
Contribution to/from the pensions reserve	(0.923)	
Short-term compensated absences	0.029	
Capital grants & contributions unapplied credited to CI&ES	0.496	
Transfer to/from the HRA	2.147	
Transfer to/from Earmarked reserves	0.748	
<b>Total Adjustments</b>		<b>22.922</b>
<b>(Increase)/decrease in HRA Balances</b>		<b>(0.159)</b>
<b>Overall (Increase)/decrease in Balances</b>		<b>(0.377)</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 2022/23, in comparison to the revised budget for the

year. The General Fund is reporting a provisional outturn of an overall budget surplus of £0.157m, resulting in General Fund balances of £2.420m as at 31<sup>st</sup> March 2023.

- 4.1.3 The Housing Revenue Account is reporting a provisional underspend against the revised budget of £0.121m. Allowing for this adjustment, HRA balances are estimated to be £1.184m as at 31<sup>st</sup> March 2023.
- 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 on the 25<sup>th</sup> May 2023 and 30<sup>th</sup> May 2023 respectively.

## 4.2 The Balance Sheet (SOA *page 28*)

- 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 2023 are:

- 4.2.2 **General Balances** – General balances have increased by £0.277m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.202	2.420	0.218
HRA balances	1.025	1.184	0.159
HRS	0	0	0
<b>Total</b>	<b>3.227</b>	<b>3.604</b>	<b>0.377</b>

- 4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have decreased by £5.627m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	12.668	7.040	(5.627)

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2022/23 Provisional outturn to the Executive 30<sup>th</sup> May 2023 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA *page 66*). The most significant use of reserves relates to the authorities share of the Business Rates deficit. Funding of £5.1m was utilised from the Business Rates Volatility Reserve, which had been received from the Government in 2020/21 to finance the Collection Fund deficits which had occurred due to the Reliefs awarded in 2021/22.

- 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 £55.487m exceed current liabilities of £40.649m by a ratio of 1.36:1, which represents an increase from the previous year's ratio of 1.3:1. This is due to a reduction in short-term borrowing and short-term creditors.
- 4.2.5 **Debtors** – debtors have decreased by £8.371m to £16.545m. 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, both preceptors now having creditor balances, and a reduction in Housing Subsidy and Standard Rent Allowance grants.
- 4.2.6 **Creditors** – have decreased by £17.676m to £26.254m. This is mainly due to the utilisation/repayment of grants related to CT energy rebate, CARF and Towns fund all paid in 2021/22 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 £27.6m (5.7%) to £483m between 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023 (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 22/23 have seen an **overall increase in value of £13.339m**, 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 £13.339m net upwards movements due to revaluation gains and losses in 22/23, there were:

- **£12.930m 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).
- **£0.409m 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 £19.399m.** The main areas of expenditure include £4.6m spent on the Council's new build and acquisition programme, £6.0m improving Council dwellings including re-roofing, kitchens and landscaping, Central Market Improvements £4.3m and Town Fund schemes £2.3m. To pay for this investment, the Council has used £5.94m of capital grants and contributions, £1.93m of capital receipts, £7.0m of the Major Repairs Reserve, £4.0m of unsupported borrowing, and £0.47m 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 2022/23 total depreciation was £9.943m** (£7.5m in relation to HRA dwellings and £2.4m relating to non HRA assets. £7.5m was charged to the HRA which is available in the Major Repairs Reserve for future investment).
- **Disposals – assets valued at £2.611m in the Balance Sheet were disposed** of in 2022/23. This included 51 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 108*). The impact of these accounting requirements in the core financial statements are:

- **Comprehensive Income & Expenditure Statement (CIES)** - The cost of retirement benefits in the CIES is shown as an actuarial estimate of £7.804m reflecting the retirement benefits earned during 2022/23 and to be funded in the future. This includes £6.165m current service costs, £0.129m admin expenses, £0.129m past service costs and a net interest cost on the defined benefit obligations of £1.381m. 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 £5.276m.
- **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 2022/23 the net liability has decreased by £78.116m to £6.883m. The actuarial assumption changes are detailed in note 44 to the accounts 'Defined benefit pension scheme'. The main driver for the significant reduction in liability being a changes in financial assumptions, which take in to account the discount rate (time value of money), linked to high quality bond yields, and the rate of future inflation.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £6.883m 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 98*) 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 2022 and 31<sup>st</sup> March 2023, the Council's total borrowing reduced to £121.96m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31<sup>st</sup> March 2023).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £12.500m and long term borrowing of £109.462m.
- The average rate of interest payable on borrowing remained the same as the previous financial year (2021/22) at 3.02%.
- The Comprehensive Income and Expenditure Statement for 2022/23 includes £3.840m interest payable on borrowing (excluding leases) of which £1.408m relates to the General Fund and £2.432m to the HRA.

The maturity profile of the outstanding borrowing as at 31<sup>st</sup> March 2023 is as follows:

Within	£m	% of Total Debt
1 year	14.394	11.64%
1 – 2 years	2.225	1.80%
2 – 5 years	4.104	3.32%
5 years +	102.913	83.24%
<b>Total</b>	<b>123.636</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 2023, total investments had decreased by £13.165m, from £49.85m to £36.685m, compared to the previous year end.
- Average investment balance during 2022/23 was £55.555m, compared to £44.7m in 2021/22. The higher investment balance mainly being due to retaining BIES (covid) grant funding which has since been returned to government.
- The average interest rate received on investments in 2022/23 was 2.10% (a increase of 1.91% on the average rate achieved in 2021/22 due to the Bank of England base rate increases seen during the year). The comparable performance indicator is SONIA 7 day un compounded (2.23%).

## 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 2022/23.

- 5.2 Communication - The draft Statement of Accounts is available on the Council's website and the period of public inspection has been advertised. The completion of the audit of the Council's Statement of Accounts will be published on the Council website by 30<sup>th</sup> September 2023. The Statement of Accounts will also be made available on the website with a summary version of the accounts published in the Council's Annual Report.

## **6. Organisational Impacts**

- 6.1 Finance - The financial implications are contained throughout this report.
- 6.2 Legal - In accordance with the Accounts and Audit (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> September 2023.
- 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 invited to scrutinise and comment upon the Statement of Accounts.

Key Decision	No
Key Decision Reference No.	N/A
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
Does the report contain Appendices?	Yes
List of Background Papers:	Medium Term Financial Strategy 2023-2028 Financial Performance - Outturn 2022/23
Lead Officer:	Colleen Warren, Financial Services Manager <a href="mailto:colleen.warren@lincoln.gov.uk">colleen.warren@lincoln.gov.uk</a>



# STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023



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**An introduction to the City of Lincoln's 2022/23 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 2022/23 and the financial position at 31 March 2023. The Accounts present expenditure and income incurred by the Council in the financial year 2022/23 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 2022/23 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 2023 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 2022/23**

Much has changed over the last twelve months with global events having played a significant part in shaping our financial year. The legacy effects of Covid19, the war in the Ukraine and Brexit have all impacted on global and national economies, creating disruption to global supply chains and commodity markets, elevating energy prices, exacerbating food shortages and critically forcing inflation to its highest level in 40 years.

The impact of these events has driven up the cost of goods and services, which in turn has put a financial strain on local government, and the Council itself. The past twelve months have seen the Council face mounting cost pressures arising from soaring energy prices, nationally agreed pay agreements and escalating contractual costs.



In addition, these global events and their specific impact on inflation has driven a national cost of living crisis in the UK. This in turn creates a growing demand for some of our key services as those more vulnerable in the City, a client group that was impacted the hardest during Covid19, look to the Council for support and rely on the safety net provided by local government.

These unforeseen and unavoidable cost pressures seriously impacted on the assumptions that underpinned our 2022/23 budget. As a result of which, when reporting the forecast position at the end of the first two quarters of the year, both the General Fund and Housing Revenue Account were forecasting significant cost pressures. In response to this, we took swift action and implemented a range of mitigation actions, as part of a financial recovery programme to ensure we retained a sustainable financial position in 2022/23, and also in the medium term.

As a result of maintaining our strong financial discipline and the mitigating actions that were taken, both the General Fund and the Housing Revenue Account were able to reverse the forecast overspend positions and have financial outturns for 2022/23 of small underspends, resulting in higher than budgeted contributions to general balances.

Despite the challenges of an increasing cost base and rising demand for services and the capacity required to implement the mitigating actions, we have continued to ensure that our limited resources are directed and used in support of our Vision 2025. During 2022/23, we have invested in local services and projects to support the City's economy, business and residents and, in addition, we have prioritised support for those feeling the effects of the cost-of-living crisis. We have continued to fully fund our Local Council Tax Support Scheme, distributed support from the Household Support Fund, Council Tax Energy Rebate and Energy Bills Support Schemes, provided further support through our local Hardship Funds and supported our tenants through the creation of a new tenancy sustainment team (further details of the support provided is set out in the Performance section below).

Although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2022/23 and maintain balanced budget positions, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed.

We will continue to face significant financial challenges as we move into 2023/24, but we will build on our successful financial management to date, maintaining a vigilant watch on expenditure and income. The measures we have in place to manage our finances remain robust and continue to drive strong financial performance. Through constant forecasting and an ever present view of our service performance we continue to navigate the challenges of the cost of living crisis and the impacts of economic factors, to deliver value for money services for the people of Lincoln whilst also ensuring that our limited resources are directed towards the priority areas in our Vision 2025.

## **Performance**

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.

Vision 2025 was adopted by the Executive on 24<sup>th</sup> February 2020. As a result of the Covid-19 pandemic the delivery of this plan was put on hold as the duties of many of our employees were reprioritised to provide emergency support to our residents. Work on the delivery of this plan recommenced in 2022 in line with the recommencement of services and the return to more normal working conditions.

This recommencement of the plan in 2022 was an opportunity to review and relaunch Vision 2025 to ensure that the actions taken to meet the priorities will help tackle the needs of the City's residents and businesses following the Covid19 pandemic. As part of this work, the effect of Covid19 on the physical and mental health of residents was considered, and as a result resources were focussed towards prevention and addressing those areas, including health inequalities, that will be needed most over the next three year period to 2025.

Whilst delivery of this plan has continued to be challenging as a result of the financial and resource pressures being faced by the Council, listed below are some of the key Vision 2025 projects progressed over the past 12 months –

- Plans for the development of the Western Growth Corridor in the west of the city have continued to be progressed following receiving formal planning approval in 2022. The development will supply the city with 3,200 much needed new homes, a leisure village, industrial park, and transport infrastructure. Development work is expected to commence on site in 2023.
- The renovation and repurposing of Lincoln Central Market has continued. When complete this facility will provide a strong, sustainable indoor and outdoor market offer in Lincoln.
- Development of a residential scheme on land off Rookery Lane has been completed. The successful completion of the development has delivered a mix of affordable two, three, and four-bedroom houses, two-bedroom bungalows and one-bedroom flats.
- The Heritage Action Zone regeneration work has continued. The programme aims to maintain, protect and restore city centre shop fronts, historical buildings and heritage sites at risk, together with a public engagement strand based around cultural activity.
- Delivered the Lincoln Good Design awards, celebrating great architectural design in planning applications received over the last two years.
- Significant progress has been made with the re-imaging of Greyfriars, which was successful in securing it's round two funding bid from the National Heritage Lottery Fund of £1.952m in October 2022.
- Working in partnership with the Council, Heritage Trust Lincolnshire has secured funding for the Harlequin Project from the Architectural Heritage Fund, which will bring the Michaelgate properties, as the first part of this project back into use, with works anticipated to start later in 2023.
- Progress has continued on the Digital City agenda, which aims to see Lincoln becoming a smart place that is truly digitally enabled - having smart digital networks will support business innovation as well as access to transport, healthcare and a range of other services.
- Development of our workspaces and business premises offer has progressed helping to ensure businesses of all sizes and types can make Lincoln their home.

- Projects being delivered under the Town Deals work programme have continued to be progressed, such as improved transport schemes in the Sincil Bank area of the city.
- We have continued to deliver the Sincil Bank revitalisation project with the aim of making the area a better place for people to live and work.
- A review of the Central Lincolnshire Local Plan has been undertaken, which sets out where and how the city is going to develop over the next 20 years.
- Work to promote our green spaces and leisure areas has continued with the aim of inspiring residents to lead a healthy lifestyle.
- The Council has commenced work on the creation of Hope Wood on Council-owned land. The aim of the project is to enhance the existing biodiversity of the area through thoughtful planting of thousands of trees and shrubs. Upon completion of the works, the area will be an accessible space for residents and visitors to enjoy for years to come.
- Completed works on the regeneration of Boultham Park lake followed by an extensive community involvement scheme to encourage local people to become actively involved in the park.
- Completed major construction work to the dam wall in Hartsholme Country park.
- Undertaken further work to develop a cultural partnership for the city, which will lead to a new events and festivals strategy for Lincoln.
- Supported work to create Bio havens on the Brayford and have since commenced a project assessing how more greenery can be introduced into the city centre.
- Work has commenced on the development of a District Health and Wellbeing Strategy focused on improving the health of residents across the district.
- Grant funding has been made available to address issues of poor insulation and heating within the private sector.
- Following securing Safer Street funding the Council has upgraded its CCTV server room and installed a total of 34 CCTV cameras in Abbey, Carholme, Castle and Park wards. This has help provide safer routes for visitors, residents and students who choose to walk home after a night out in the city centre.
- Following completion of the De Wint Court supported housing development, a review of our other supported housing stock within the city has commenced. The review aims to assess the ongoing needs of our tenants alongside our Council housing stock.
- We have continued to deliver a campaign which encourages Private Sector landlords in the city to sign up to the Trusted Landlord Scheme.
- We have worked with partners on the Lincoln Climate Commission to develop a Climate Action Plan. This follows City of Lincoln Council being the second council in Lincolnshire to declare a climate emergency.
- The Council has achieved 'Green' level Environmental Management Accreditation by 'Investors in the Environment'.

In terms of service delivery, performance has continued to be affected over the past year, largely as a result of the current cost of living challenges and the ongoing recovery of the city following the Covid-19 pandemic. In direct response to these challenges we have worked hard to ensure our services and the support we can offer has reached those in need. Some examples of this work are provided below:

- Our Revenues and Benefits Team has continued to experience significant levels of demand, which has further continued to be impacted through the delivery

of several additional schemes to assist residents and businesses through Covid-19 and then into the cost of living challenges.

- The hard work of our Welfare Support teams has ensured our residents have continued to receive prompt, essential welfare and benefits advice.
- Across the Directorate for Housing and Investment, our housing teams have worked extremely hard maintaining Council homes to ensure they meet the decent homes standard, returning void properties back into use and collecting rent.
- The Housing Solutions Team has continued to provide invaluable support to our residents who are homeless or who are at risk of becoming homeless.
- Our Housing and Planning teams have worked to deliver much needed new affordable homes in the city on Rookery Lane.
- The Customer Services Team has managed an increasing number of telephone calls and e-mail enquiries as residents seek advice and support from the Council.
- The Council's Communication Team has provided clear guidance to residents and businesses on how they can access help and support. This communication has primarily been via our website and social media channels and has included the use of videos and a range of other media types to help effectively engage with our customers.
- The Council has continued to be a provider of apprenticeships. These apprenticeships have been across the areas of Business Administration, Customer Service, Team Leading and Management delivered by the Work Based Learning Team, together with Craft apprenticeships delivered by the Housing Repairs Service.

All of our achievements during 2022/23 should be set in the context of the significant difficulties in the recruitment and retention of staff currently being faced by local government, of which we are no exception. This creates capacity pressures in both operational services and in our support services. Whilst we have been able to continue to deliver against our priorities during 2022/23, some aspects of performance have been undoubtedly affected by our reduced resources, particularly when those resources have been under further pressure to respond to the financial and cost of living challenges arising in the year. Work continues both on a national and local level to develop a range of responses to encourage both new entrants into the sector as well as retain the existing workforce.





## 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 2022/23, the approved net expenditure budget for General Fund services was £8,907,490 including a planned contribution to reserves of £60,700.

As highlighted in the Financial Summary, 2022/23 has presented significant financial challenges for the Council and in particular the escalating cost of services provision, which were unforeseen and have far exceeded budgeted assumptions. The General Fund has experienced escalating costs in a number of key areas:

- Contractual services inflation increases – contracts for key front line service provision are linked to annual CPI/RPI price increases at set points in the year. The most significant of these contracts is in relation to waste and street cleansing. These two contracts are linked to inflation as at the previous December and have therefore seen increases of 5.4% for 2022/23.
- Gas and electric supplies - whilst the Council procures the majority of its energy supplies through a framework agreement, allowing it to benefit from economies of scale, it is still subject to the impacts of fluctuations in wholesale prices. Gas prices for 2022/23 have increased by 70% since April 2022 and electricity prices have increased by 100% from October 2022.
- Nationally agreed pay inflation - the pay offer, made by the National Employers for Local Government Services, was accepted by the Trade Unions in early November 2022. The pay deal sees a flat rate increase of £1,925 to all employees, equivalent to a 10.5% increase for the lowest paid members of staff and with the majority of officers receiving pay rises above 5%.

In terms of service delivery, during 2022/23 we have faced growing demands for some of our key services as those more vulnerable in the city look to the council for support as the cost-of-living crisis hits household incomes. This includes increased demand for; welfare advice; housing benefits; housing solutions, homelessness support, etc. Of particular challenge to the General Fund has been the cost of providing homelessness support, with escalating number of cases presenting increasing the cost of providing temporary accommodation.

In response to these escalating costs, we developed a range of mitigating actions as part of a financial recovery programme, in order to ensure we could maintain a sustainable financial position in 2022/23. Included within these actions was a review of the Council's Borrowing, Investment and Minimum Revenue Provision (MRP) strategies. This review resulted in a change to the MRP Policy (as approved by Full Council in February 2022), which has released significant savings in the medium term, whilst still maintaining a prudent provision. The net saving in 2022/23 is £0.790m

As a result of this reduction in capital financing costs, along with other actions taken during the year, including an in-year increase in some fees and charges and

temporary recruitment measures, and with some positive impacts of the economy on investment returns, the General Fund was able to reverse the forecast overspend position, estimated at quarter two, and has reported a small underspend outturn position for 2022/23. This underspend position includes additional contributions to a number of earmarked reserves in order to provide future resilience against a number of cost pressure risks that we are facing in future years.

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

	<b>ACTUAL 2022/23 £'000</b>	<b>REVISED BUDGET 2022/23 £'000</b>	<b>VARIANCE 2022/23 £'000</b>
Chief Executive and Town Clerk	3,247	3,016	231
Directorate of Housing & Regeneration	1,050	1,100	(50)
Directorate of Communities & Environment	5,897	5,289	608
Directorate of Major Developments	457	489	(32)
Corporate	1,932	1,969	(37)
<b>Net Operational Expenditure</b>	<b>12,582</b>	<b>11,863</b>	<b>719</b>
Specific Grants	(899)	(859)	(40)
Savings Target	0	(54)	54
Earmarked Reserves	(5,627)	(5,626)	(1)
Insurance Reserve	(23)	40	(63)
Capital Accounting Adjustment	2,297	3,234	(937)
Contingencies	0	(112)	112
<b>Total Expenditure</b>	<b>8,330</b>	<b>8,486</b>	<b>(156)</b>
<b>Contribution To/(From) General Balances</b>	<b>218</b>	<b>61</b>	<b>157</b>
<b>Total Net Budget</b>	<b>8,547</b>	<b>8,546</b>	<b>1</b>
Retained Business Rates Income	(16,082)	(15,956)	(126)
Tariff	13,094	13,094	0
Section 31 grant	(3,192)	(3,108)	(84)
Levy Payment	967	759	208
Revenue Support Grant	(24)	(24)	0
Council Tax	(7,360)	(7,360)	0
Council Tax Section 31 Grant	0	0	0
Council Tax Deficit	6	6	0
NNDR Deficit	4,044	4,044	0
<b>Total Resources</b>	<b>(8,547)</b>	<b>(8,546)</b>	<b>(1)</b>

While total expenditure was £8.330m (£0.156m less than budget) this is offset by a £0.157m increase in the actual contribution to general balances. The actual

contribution to general balances was £0.218m compared to the approved budget of £0.061m.

Included within the General Fund Budget was an assumed savings target of £1.050m, which was to be delivered in 2022/23 as part of the Council's Towards Financial Sustainability (TFS) Programme. The provisional outturn performance shows that secured savings total £0.996m. This results in an under-achievement of the target in 2022/23 by £0.054m. This under-achievement should be set against the context of an overall positive position for the General Fund in 2022/23. The TFS 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 2023/24 and future years.

Although the General Fund maintained a balanced budget position in 2022/23 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 2023, the Council held £9.460m General Fund revenue reserves, comprising £7.040m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.420m non-earmarked general reserves. General Balances are currently in line with the prudently assessed minimum requirements in the Council's Medium-Term Financial Strategy, which providing resilience for financial challenges we face.



### **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 2022/23, the approved net operating budget for the Housing Revenue Account was set at £0.038m contribution to balances. Actual net expenditure for 2022/23 was £0.159m surplus, resulting in a £0.120m variance against the budget.

In line with the General Fund, a number of the key cost pressures; pay inflation, contractual inflation; energy price increases; and material and external labour prices, have impacted the Housing Revenue Account. These cost increases were unforeseen and far exceeded the assumptions underpinning the Housing Revenue Accounts budget.

As is being experienced across the Council, the Housing Revenue Account is also experiencing recruitment and retention challenges in relation to its craftworkers, increasing the reliance on external contractors.

These new financial and capacity pressures arose at a time when the Housing Revenue Account is still responding to the legacy effects of Covid19 and Brexit both in relation to service delivery, in terms of backlogs of outstanding housing repairs work, and also due to the ongoing impact on supply chains and availability of labour.

This combination of factors has led to a number of significant variances of both a positive and negative nature in the Housing Revenue Account, with underspends on general repairs and maintenance due to availability of resources and contractors and overspends on repairs to void properties due to a higher than normal level of void properties.

A range of measures have been implemented in 2022/23 to address some of the factors affecting the Housing Revenue Account, and these are producing positive results e.g., a reduction in voids backlogs. However, further work will be required in 2023/24 to fully address the performance issues and the subsequent financial variances this creates.

Overall, the net impact of these variances, including the positive effect of rising investment returns, resulted in the Housing Revenue Account reversing the forecast overspend position, estimated at quarter two, to reporting a small underspend outturn position for 2022/23. This underspend position includes additional contributions to a number of earmarked reserves in order to provide future resilience against a number of cost pressure risks that we are facing in future years.

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

	<b>ACTUAL 2022/23 £'000</b>	<b>REVISED BUDGET 2022/23 £'000</b>	<b>VARIANCE 2022/23 £'000</b>
<u>Operational Expenditure</u>			
Repairs & Maintenance	9,603	10,508	(904)
Supervision & Management	8,776	8,370	405
Provisions (including Bad Debt)	300	250	50
Other Expenditure	293	155	138
Capital Financing	7,862	7,450	412
<b>Sub Total</b>	<b>26,834</b>	<b>26,733</b>	<b>101</b>
<u>Add:</u>			
HRS – repatriation of surplus	222	0	222
Interest Payable & Similar Charges	2,432	2,580	(148)
<b>Total Expenditure</b>	<b>29,488</b>	<b>29,313</b>	<b>74</b>
<u>Income</u>			
Rents & Service Charges	(31,038)	(31,081)	43
Other Income	(892)	(710)	(181)
Interest	(614)	(66)	(547)

	<b>ACTUAL 2022/23 £'000</b>	<b>REVISED BUDGET 2022/23 £'000</b>	<b>VARIANCE 2022/23 £'000</b>
<b>Net Expenditure</b>	<b>(3,054)</b>	<b>(2,544)</b>	<b>(510)</b>
<u>Less:</u>			
Capital Accounting Adjustment	0	0	0
Appropriation to/(from) Major Repairs Reserves	2,147	2,559	(412)
Appropriation to/(from) Pension Fund Liability	0	0	0
Appropriations to/(from) Earmarked Reserves	748	(53)	801
<b>Net HRA (Surplus)/Deficit</b>	<b>(159)</b>	<b>(39)</b>	<b>(120)</b>

As at 31 March 2023, the Council held £4.693m HRA revenue reserves, comprising £3.509m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.184m 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 £23.9m compared to the revised approved programme budget of £38.4m, representing an underspend of £14.5m against the profiled budget. The variance in 2022/23 is mostly due to the re-profiling of schemes within the general fund and housing programmes resulting from the delays in appointed contractors for the schemes. The 2022/23 capital spending and funding position is summarised as follows:

	<b>ACTUAL 2022/23 £'000</b>	<b>BUDGET 2022/23 £'000</b>	<b>VARIANCE 2022/23 £'000</b>
<b>Capital Expenditure</b>			
General Fund	11,213	17,860	(6,647)
Housing Revenue	12,647	20,499	(7,852)
<b>Total Expenditure</b>	<b>23,860</b>	<b>38,359</b>	<b>(14,499)</b>
<b>Financed by:</b>			
Borrowing	4,069	7,333	(3,264)
Capital Receipts	1,934	2,469	(536)
Capital Grants and Contributions	10,330	14,386	(4,056)
Major Repairs Reserve	7,465	7,348	(2,570)
Revenue Contributions	62	3,823	(4,073)
<b>Total Financing</b>	<b>23,860</b>	<b>38,359</b>	<b>(14,499)</b>

Major Capital works carried out during 2022/23 are set out in the following table:

	£'000
<b>Housing</b>	
Decent Homes and improvements to Council dwellings	5,998
Council house schemes	5,570
Other major works to housing stock	1,079
<b>General Fund</b>	
Crematorium	131
Central Market	4,345
Improvement and Renovation Grants	649
Boultham Park	11
Western Growth Corridor	133
Towns Fund Schemes	0
Other Schemes	0
<b>Total</b>	<b>23,860</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 2022/2023 is provided below:

### Capital Receipts (Note 9)

The Council utilised £1.934m of capital receipts and received £3.173m 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 £0.03m), as at 31 March 2023 was £122m.

<b>Total Borrowing Outstanding</b>			
<b>31/03/22</b>			<b>31/03/23</b>
<b>£'000</b>	<b>Source of loan</b>		<b>£'000</b>
94,177	Public Works Loan Board		93,962
31,000	Market and Other Long-Term Loans		28,000
<b>125,177</b>	<b>Total</b>		<b>121,962</b>

Short-term borrowing of £5m was taken during 2022/23. Short-term borrowing of £8m and £0.215m of PWLB borrowing was repaid during 2022/23. This represents a net decrease of £3.215m of borrowing since 31 March 2022. The Council remains under borrowed by £24.141m (i.e. the Council's actual borrowing is £24.141m less than its borrowing requirement at 31 March 2023).

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 internal balances allow for this. Additional long-term borrowing may be taken in 2023/24 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 shows a reduced Pension Fund Reserve / net liability position when compared to the start of the year - reducing from £84.949m at 1 April 2022 to £6.883m as at 31 March 2023. This decrease in the net liability is mainly a result of 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 £6.883m 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 on 31 March 2022.

Although the overall funding position has improved, the employer contribution rates are still required to increase in order to improve the funding position further. Because of the guaranteed nature of Local Government Pension Scheme, a stabilisation overlay mechanism is applied, whereby the employer's current contribution rate is capped at an affordable level. Based on the latest tri-annual review, the council is facing an increase in pension contributions of over 6 percentage points, rising from 17.3% of payroll in 2022/23 to 23.4% of payroll for the 3-year period commencing 2023/24. This increase has reduced the need for additional monetary payments to the scheme.



### **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

These five strategic priorities are supported by a programme called One Council. One Council is made up of the following pillars:

- Organisational development
- Best use of assets
- Technology
- Create value processes

It aims to put the customer at the heart of everything we do, understanding their needs, wants and preferences. One Council will also define how the Council will need to work in the future to meet those changing demands and to work in an effective and efficient way.

A mid-term review of the proposals in the vision was undertaken in 2021/22. This review was an opportunity to review and relaunch Vision 2025, following the Covid19 pandemic, and to ensure that the actions taken to meet the priorities will help tackle the needs of the City's residents and businesses.

As part of this process, a public consultation was undertaken 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 and as a result resources have been refocused towards prevention and addressing those areas, including health inequalities, that will be needed most in the period up to 2025.

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 that the General Fund faces as a result of the current economic conditions and national cost-of-living crisis come at a time when we are still recovering from the detrimental financial effects of Covid19 and after facing a decade of austerity measures. These unforeseen and unavoidable pressures are though even more severe than the impacts of the pandemic, they are not temporary cost/income pressure spikes that will fall away as the economy stabilises, they represent structural changes in the Council's ongoing net cost base and have required budgets to be reset as part of this Medium-Term Financial Strategy.

Furthermore, there still remains uncertainty around the level of funding for local government beyond the current Spending Review period. There are a number of proposed changes in the funding mechanisms for local government, which have the ability to fundamentally alter the course of the Medium-Term Financial Strategy. Whilst it has now been confirmed that they will not now be implemented until 2025/26 at the earliest, and the latest Local Government Finance Settlement announced some much-needed additional funding for local authorities, all this has done is to have shifted the financial challenges to the period following the next General Election. In addition, the large national deficit that has arisen as a result of the financial measures the Government implemented during the pandemic and more recently in response to the cost-of-living-crisis, will need to be addressed. This is likely to further impact on the funding available to councils in future years with a risk of a new round of austerity measures.

Despite this significant level of uncertainty, based on what is currently known, or can be reasonably assumed, the General Fund continues to face a significant and widening gap between the its spending requirements and the level of resources it estimates to receive, with the underlying need to reduce the net cost base by £1.750m by 2026/27 if the Council is to remain sustainable in the medium term.

The ability to deliver these further, significant, reductions in the net cost base must be set in the context of the Council having already delivered, over the last decade, annual revenue savings of nearly £10m. This is a significant amount in comparison to the net General Fund budget. This has already involved us having to take difficult decisions in terms of which services we can continue to provide, whilst minimising the impact on services most needed by local residents and businesses.

We still believe that our longer-term approach to closing the funding gap is fundamentally through economic growth and investment. This is ever more critical in light of the crippling effect Covid19 and now the current economic factors have on the local economy. Through Vision 2025 we will continue to seek ways to maximise

our tax bases by creating the right conditions for the economy to recover and grow, to increase Business Rates income, and to encourage housebuilding to meet growing demand, generating additional Council Tax. As well as continuing to support this we will also seek through direct interventions, such as through; the Town Deal; the Council House New Build Programme; the UK Shared Prosperity Fund and Western Growth Corridor etc, to enhance the economic prosperity of the City.

The delivery of these benefits from economic development cannot however be realised in the short to medium term and will not directly contribute towards the required reductions in the net cost base in the Medium-Term Financial Strategy. In order to deliver the level of savings required over the period of the Medium-Term Financial Strategy, we will continue to adopt a range of options, but given the scale of the financial challenge we faces, we have little choice but to face some difficult decisions about the size and scope of the essential services we can continue to provide. We will need to review and revisit our investment priorities, beyond Vision 2025, and will be forced to look closely at the services we provide and will inevitably have to stop some of these to balance the books.

Closing a projected budget gap of this size is a challenge for the Council, but we have confidence in our track record of delivering strong financial discipline and that we can continue to rise to the challenge. Our successful financial planning has enabled the protection of core services for the people of Lincoln, whilst at the same time allowing for significant investment in the City, and its economy, and delivery of the Council's Vision. We will continue to adopt this approach, carefully balancing the allocation of resources to Vision 2025 and future investment plans, whilst ensuring we maintain a sustainable financial position and delivers the required reductions in its net cost base.

### **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 we deliver our housing and landlord services, now and in the future. In addition, the refreshed and repurposed strategic plan, Vision 2025, includes a much greater focus on health outcomes and the environment e.g. net zero carbon target, with implications for the delivery of housing services and investment in the housing stock and new build standards. Furthermore, the tragic fire at Grenfell Tower and the introduction of new measures to improve fire and building safety will create additional requirements on the Council.

A full review of the Business Plan was scheduled for 2022, however, due to the current economic climate and the impact on the assumptions that underpin the HRA and Housing Business Plan it has not been possible to make accurate long-term financial forecasts at this time. As a result, an interim high-level refresh of the Business Plan was undertaken during 2022 with a full update to the Business Plan now scheduled for 2023, with a new a 30-year Business Plan to be in place for the start of 2024/25. This update will take into consideration the key issues that are impacting on the environment in which the Plan will be set with the goal of developing an exciting Business Plan that sets out what we want to achieve over the next 30 years.

## 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 £205m over the next five years, with £36m estimated to be spent in 2023/24. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development, the Lincoln Town Deal Programme, Central Market redevelopment, and the Greyfriars development, all in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



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

The Housing element of the capital programme represents the largest element of capital expenditure over the next 5 years and is funded through a combination of borrowing and revenue contributions from the Housing Revenue Account (HRA) through both depreciation charges and direct revenue contributions. The HRA Business Plan includes the release of capital resource to fund significant capital investment in new housing stock over the medium term. It is critical that there

continues robust budget management of the HRA to continue to allow the required investment.

## **Cash flows**

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

- Actual Business Rates base in year compared to the assumed levels in the budget, and the ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city as well as potential reductions arising from the current economic conditions and legacy of Covid19.
- Collection rates for Council Tax, Business Rates and Rents, which 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 have recovered, the current cost-of-living crisis and current economic factors are now impacting on demand in some key areas.
- 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 2022/23 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 2022/23 we are set to face ongoing reductions in resources increased service costs, increased service demands and the ongoing impact of the current economic uncertainty. 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 2023-2028, approved by Full Council in March 2023 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 encourage 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 2022 to 31 March 2023 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on xxxxx.

Councillor Biff Bean  
Chair of Council

Date: xxx

## 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 2023 and its income and expenditure for the year ended on that date.



J Gibson FCCA  
Chief Finance Officer  
Date: 31<sup>st</sup> May 2023



## 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 2021</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 Earmarked 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>2,202</b>	<b>18,975</b>	<b>1,025</b>	<b>20,088</b>	<b>5,708</b>	<b>2,097</b>	<b>50,094</b>	<b>225,249</b>	<b>275,343</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 2022</b>	<b>2,202</b>	<b>18,975</b>	<b>1,025</b>	<b>20,088</b>	<b>5,708</b>	<b>2,097</b>	<b>50,094</b>	<b>225,249</b>	<b>275,343</b>
<b>Movement in reserves during 2022/23</b>									
Surplus or (deficit) on provision of services	1,808	0	23,082	0	0	0	<b>24,890</b>	<b>0</b>	<b>24,890</b>
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	<b>0</b>	<b>81,186</b>	<b>81,186</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>1,808</b>	<b>0</b>	<b>23,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,890</b>	<b>81,186</b>	<b>106,076</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	(7,241)	0	(22,174)	2,544	1,239	(390)	<b>(26,021)</b>	<b>26,021</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers (to)/from Reserves</b>	<b>(5,432)</b>	<b>0</b>	<b>908</b>	<b>2,544</b>	<b>1,239</b>	<b>(390)</b>	<b>(1,131)</b>	<b>0</b>	<b>0</b>
Transfers (to)/from Earmarked Reserves	5,650	(4,902)	(748)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>218</b>	<b>(4,902)</b>	<b>159</b>	<b>2,544</b>	<b>1,239</b>	<b>(390)</b>	<b>(1,131)</b>	<b>107,207</b>	<b>106,076</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>2,420</b>	<b>14,073</b>	<b>1,184</b>	<b>22,632</b>	<b>6,947</b>	<b>1,707</b>	<b>48,963</b>	<b>332,454</b>	<b>381,417</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2022/23

2021/22			Note	2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
34,812	(27,382)	7,430		39,645	(32,766)	6,879
3,663	(2,794)	869		22,058	(13,082)	8,976
8,475	(30,080)	(21,605)		3,920	(2,782)	1,138
23,271	(12,589)	10,682		7,007	(31,929)	(24,922)
1,707	(811)	896		5,100	(948)	4,151
(422)	(454)	(876)		1,039	(589)	450
<b>71,507</b>	<b>(74,110)</b>	<b>(2,604)</b>	<b>Cost of Services</b>	<b>78,768</b>	<b>(82,095)</b>	<b>(3,327)</b>
	467		Other Operating Expenditure			296
	4,854		Financing and Investment			2,192
	(21,641)		Income and Expenditure			
			Taxation and Non-Specific			(24,051)
			Grant Income			
	<b>(18,924)</b>		<b>(Surplus) or Deficit on Provision of Services</b>			<b>(24,890)</b>
	(2,990)		(Surplus) or deficit on revaluation of non-current assets	14		(594)
	0		Impairment Losses on Non-Current Assets charged to the Revaluation Reserve			0
	(63)		(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	26e		(8)
	(26,182)		Total re-measurements on defined benefit obligation	44		(80,583)
	<b>(29,235)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(81,186)</b>
	<b>(48,159)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(106,076)</b>

## BALANCE SHEET AS AT 31 MARCH 2023

31 March 2022 £'000		Notes	31 March 2023 £'000
416,478	Property, Plant & Equipment	14,39,41	443,670
2,768	Heritage Assets	15	2,768
36,016	Investment Property	14,16	36,578
207	Intangible Assets	14,17,39	88
816	Long Term Investments	18,47	824
724	Long Term Debtors	18,47	611
<b>457,009</b>	<b>Long Term Assets</b>		<b>484,540</b>
1,500	Assets Held for Sale	22	1,500
49,878	Short Term Investments	18,47	36,932
104	Inventories	19	150
(103)	Cash at Bank	21	509
24,916	Short Term Debtors	18,20,47	16,545
<b>76,294</b>	<b>Current Assets</b>		<b>55,636</b>
0	Cash and Cash Equivalents	18,21,47	0
(14,932)	Short Term Borrowing	18,47	(14,396)
(43,929)	Short Term Creditors	18,23,47	(26,254)
<b>(58,862)</b>	<b>Current Liabilities</b>		<b>(40,649)</b>
0	Long Term Creditors	18,47	0
(2,197)	Provisions	24	(1,985)
(111,962)	Long Term Borrowing	18,47	(109,243)
(84,939)	Other Long-Term Liabilities	44	(6,884)
<b>(199,099)</b>	<b>Long Term Liabilities</b>		<b>(118,112)</b>
<b>275,343</b>	<b>Net Assets</b>		<b>381,415</b>
50,094	Usable reserves	10,25	48,963
225,249	Unusable Reserves	26	332,453
<b>275,343</b>	<b>Total Reserves</b>		<b>381,415</b>

## CASH FLOW STATEMENT

2021/22		Notes	2022/23
£'000			£'000
18,924	Net surplus or (deficit) on the provision of services		24,890
3,228	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(20,273)
(11,108)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(13,114)
<b>11,044</b>	<b>Net cash flows from Operating Activities</b>		<b>(8,497)</b>
(24,808)	Investing Activities	30	7,138
13,098	Financing Activities	31	1,971
<b>(666)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>612</b>
563	Cash and cash equivalents at the beginning of the reporting period		(103)
<b>(103)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>509</b>

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## NOTES TO THE ACCOUNTS

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

### Note 1 – Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

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

#### 2. Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

## **7. Employee Benefits**

### **Benefits payable during employment**

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

## **Termination benefits**

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

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

## **Post-Employment Benefits**

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

## **The Local Government Pension Scheme**

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

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

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

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

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

The change in the net pension's liability is analysed into the following components:

- Current service cost – the increase in the present value of a defined benefit obligation resulting from employee service in the current period – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the change in the present value of the defined benefit obligation for the employee service in prior periods, resulting from a plan amendment or a curtailment and any gain or loss on settlement – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest cost on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
- Contributions paid to the Local Government Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

## **8. Events After the Balance Sheet Date**

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

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

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

## **9. Financial Instruments**

### **Financial Liabilities**

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

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

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

## **Financial Assets**

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

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

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

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, with interest receivable within one year shown under short term investments and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

### **Financial Assets measured at fair Value through Profit and Loss FVPL**

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

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

- Instruments with quoted market prices in active markets for identical assets – the market price
- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis

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

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

- Level 3 inputs – unobservable inputs for the asset.

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

## **10. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **11. Government Grants and Contributions**

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

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

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

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

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



## **Business Improvement Districts**

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

## **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable development for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.

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

## **12. Intangible Assets**

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

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

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

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

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



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

### **13. Interests in Companies and other Entities**

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

### **14. Inventories and Long-Term Contracts**

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

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

### **15. Investment Property**

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

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

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

## 16. Joint Operations

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

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

## 17. Leases

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged

over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased asset. Charges are made on a straight-line basis over the term of the lease, even if this doesn't match the pattern of payments.

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

## **Operating Leases**

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

## **18. Overheads and Support Services**

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

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

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- Dwellings and Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

Where an item of property, plant or equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that

would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **20. Heritage Assets**

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

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

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

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

- **Civic Insignia**

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

- **Art and Sculptures**

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

- **Musical Instruments**

The Council holds a Steinway grand piano on loan to Lincoln College and a Stradivarius violin, which is on loan to the Halle orchestra. These items are not held on our balance sheet as they are deemed to be controlled by the loanee.



- **Vehicles**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

### **Heritage Assets – General**

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

## **21. Disposals and Non-Current Assets Held for Sale**

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

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



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

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

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

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

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

## **22. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial

year – where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **23. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

## **24. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in

the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **25. VAT**

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

## **26. Fair Value**

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

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

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

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

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

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

## **Note 2 – Accounting Standards Issued but Have Not Yet Been Adopted**

The 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 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021. f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 2023 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 2023 – Provision for Business Rate Appeals £1.852m)	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 2022/23 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 2023. 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 2023 amounted to £1.852m, a decrease of £0.215m (10%) 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 £0.185m.
<b>Property, Plant and Equipment (PPE)</b>  (Balance Sheet 31 March 2023 – PPE £444m)	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 £0.079m and for council dwellings £0.254m for every year that the useful lives had to be reduced.  The Gross Book Value (GBV) of the Council's operational property assets is £471m at 31 March 2023. A 1% change in these asset valuations would result in a £4.71m 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% increase / decrease in the value of investment properties and assets held for sale would

<p>(Balance Sheet 31 March 2023</p> <ul style="list-style-type: none"> <li>- assets held for sale £1.5m</li> <li>- Investment properties £36.6m)</li> </ul>	<p>market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.</p>	<p>result in a gain / charge to the Comprehensive Income &amp; Expenditure Statement of £0.381m.</p>
<p><b>Arrears</b></p> <p>Balance Sheet 31 March 2023 - Debtors total of £20.559m includes £4.014m debtors (subject to arrears)</p>	<p>As at 31 March 2023, the Council had a balance on current debtors of £20.559m. A review of significant balances suggested that an impairment of doubtful debts of £4.014m was required.</p>	<p>If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.201m to be set aside as an allowance.</p>
<p><b>Pension Liability</b></p> <p>(Balance Sheet 31 March 2023 - pensions liability £6.884m)</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.</p>	<p>The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £14.183m.</p>
<p><b>Investments</b></p> <p>(Balance Sheet 31 March 2023</p> <p>Short Term - £36.932m</p> <p>Long Term - £0.824m)</p>	<p>At 31 March 2023, the Council held £36.932m of short-term investments. These include £14.685m invested in AAA-rated instant access Money Market Funds and £22m invested in A-rated UK institutions, all for periods of up to 1 year.</p>	<p>As most of the investments are either in AAA-rated MMF's or short-term deposits in A-rated UK banks, the risk of impairment is considered to be minimal.</p>
<p><b>Pension Fund Property Investment Assets</b></p> <p>Balance Sheet 31 March 2023 - Property Investment Assets £11.653m</p>	<p>The Council's net pension liability disclosed at note 44 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets.</p>	<p>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 property investment assets as at 31 March 2023 was £11.653m.</p>

#### **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 31 May 2023. 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 2023, 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

2021/22				2022/23				
Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
6,710	(1,021)	1,741	7,430	Chief Executive's Directorate	9,336	(3,029)	572	6,879
397	0	472	869	Housing and Regeneration	1,050	0	89	1,138
(1,643)	0	(19,962)	(21,605)	Housing Revenue Account (HRA)	(8,560)	0	(16,362)	(24,922)
6,556	0	4,126	10,682	Communities and Environment	6,776	0	2,200	8,976
687	0	209	896	Major Developments	4,038	0	113	4,151
(389)	871	(1,358)	(876)	Corporate Services	(472)	923	0	450
12,318	(150)	(14,772)	(2,604)	Net Cost of Services	7,707	(2,107)	(8,927)	(3,327)
(4,737)	150	(11,733)	(16,320)	Other Income and Expenditure	(7,664)	2,107	(16,027)	(21,564)
7,581	0	(26,505)	(18,924)	(Surplus) or Deficit on Provision of Services	4,524	0	(29,414)	(24,890)
	GF	HRA	Total			GF	HRA	Total
	(28,711)	(1,074)	(29,785)	Opening Balance		(21,177)	(1,025)	(22,202)
	7,534	49	7,583	Less/ Plus Surplus or (Deficit) in Year		4,684	(159)	4,525
	(21,177)	(1,025)	(22,202)	Closing Balance at 31 March		(16,493)	(1,184)	(17,677)

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								
2021/22				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2022/23			
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
278	1,486	(23)	<b>1,740</b>	Chief Executive's Directorate	272	320	(20)	<b>572</b>
0	478	(6)	<b>472</b>	Housing and Regeneration	0	112	(23)	<b>89</b>
(21,622)	1,697	(37)	<b>(19,962)</b>	Housing Revenue Account (HRA)	(17,256)	923	(29)	<b>(16,362)</b>
2,911	1,253	(37)	<b>4,126</b>	Communities and Environment	1,941	270	(11)	<b>2,200</b>
91	114	3	<b>209</b>	Major Developments	91	26	(3)	<b>113</b>
0	(1,358)	0	<b>(1,358)</b>	Corporate	0	0	0	<b>0</b>
<b>(18,343)</b>	<b>3,670</b>	<b>(101)</b>	<b>(14,773)</b>	<b>Net Cost of Services</b>	<b>(14,952)</b>	<b>1,651</b>	<b>(87)</b>	<b>(13,388)</b>
(5,484)	1,311	(7,560)	(11,733)	Other Income & Expenditure from the Funding Analysis	(12,241)	877	(4,663)	(16,027)
<b>(23,827)</b>	<b>4,981</b>	<b>(7,661)</b>	<b>(26,507)</b>	<b>Difference between General Fund Surplus/ Deficit and CIES Income &amp; Expenditure Statement Surplus/ Deficit</b>	<b>(27,192)</b>	<b>2,528</b>	<b>(4,750)</b>	<b>(29,414)</b>

## Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2021/22	2022/23
	£'000s	£'000s
Chief Executive's Directorate	(5,891)	(6,298)
Housing & Regeneration	(1,103)	(1,450)
Housing Revenue Account (HRA)	(29,593)	(31,243)
Communities & Environment	(11,818)	(12,459)
Major Developments	(621)	(596)
Corporate	0	0
<b>Total Income analysed on a Segmental Basis</b>	<b>(49,026)</b>	<b>(52,046)</b>

## Note 8 – Expenditure and Income Analysed by Nature

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

	2021/22	2022/23
	£'000s	£'000s
<b>Expenditure/ Income</b>		
<b>Expenditure</b>		
Employee Benefit Expenses	27,441	27,958
Other Services Expenses	65,256	73,161
Depreciation, Amortisation and Impairment	(5,757)	(11,859)
REFCUS	1,677	6,138
Interest Payments	9,031	5,221
Precepts and Levies	871	923
Payments to Housing Capital Receipts Pool	529	0
<b>Total Expenditure</b>	<b>99,048</b>	<b>101,542</b>
<b>Income</b>		
Fees, Charges and other Service Income	(63,409)	(68,663)
Interest and Investment Income	(3,237)	(1,171)
Income from Council Tax and Non- Domestic Rates	(12,423)	(13,187)
Government Grants and Contributions	(37,969)	(42,783)
Gain/Loss on Disposal	(934)	(627)
<b>Total Income</b>	<b>(117,972)</b>	<b>(126,431)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(18,924)</b>	<b>(24,890)</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.

2022/23	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)	1,605	923	0	0	0	<b>2,528</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	(4,661)	0	0	0	0	<b>(4,661)</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	(58)	(29)	0	0	0	<b>(87)</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)	(3,238)	(17,748)	0	7,862	9,941	<b>(3,183)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>(6,355)</b>	<b>(16,854)</b>	<b>0</b>	<b>7,862</b>	<b>9,941</b>	<b>(5,405)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(3,239)	3,239	0	0	<b>0</b>
Admin costs of RTB	0	66	(66)	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,147)	0	2,147	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(824)	0	0	0	0	<b>(824)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(62)	0	0	0	0	<b>(62)</b>

2022/23	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>(886)</b>	<b>(5,320)</b>	<b>3,173</b>	<b>2,147</b>	<b>0</b>	<b>(886)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,934)	0	0	<b>(1,934)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(7,465)	0	<b>(7,465)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(10,330)	<b>(10,330)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,934)</b>	<b>(7,465)</b>	<b>(10,330)</b>	<b>(19,730)</b>
<b>Total Adjustments</b>	<b>(7,241)</b>	<b>(22,174)</b>	<b>1,239</b>	<b>2,544</b>	<b>(390)</b>	<b>(26,021)</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>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>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	0	72	(72)	0	0	<b>0</b>
Admin Costs of RTB	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>
<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>

## 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 @ 31.03.21 £'000	Movements	Appropriations		Balance @ 31.03.22 £'000	Movements	Appropriations		Balance @31.03.23 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
<b>General Fund</b>									
Business Rates Volatility	13,376	0	3,856	(11,666)	5,566	0	0	(5,132)	434
Council Tax Hardship Fund	531	0	0	(319)	213	0	0	(213)	0
Budget Carry Forwards	482	0	298	(113)	667	0	219	(369)	518
Grants & Contributions	1,385	0	754	(206)	1,932	0	125	(613)	1,445
Invest to Save (GF)	453	0	60	(414)	100	0	1	(63)	37
Strategic Growth (GF)	17	0	0	(12)	5	0	0	(5)	0
Unused DRF	341	0	45	(182)	204	0	0	(40)	164
Funding for Strategic Priorities	174	0	0	(85)	89	0	0	(89)	0
HiMO CPN Appeals	0	0	47	0	47	0	141	(19)	169
Income Volatility Reserve	0	0	320	0	320	0	0	0	320
Inflation Volatility Reserve	0	0	150	0	150	0	316	0	466
IT Reserve	124	0	167	(72)	219	0	65	0	284
Revenues & Benefits	0	0	25	0	25	0	0	0	25
Tree Risk Assessment	97	0	19	(32)	84	0	50	(31)	102
Vision2025	204	0	809	(312)	701	0	45	(212)	533
Lincoln Lottery Reserve	9	0	0	0	9	0	0	0	9
Mayoral Car	27	0	0	0	27	0	0	(20)	7
Active Nation Bond Reserve	180	0	200	0	380	0	0	(200)	180
AGP Sinking Fund	2	0	50	0	52	0	0	0	52
Private Sector Stock	27	0	12	0	39	0	12	0	51
Corporate Training	60	0	0	0	60	0	0	0	60
Corporate Maintenance	0	0	0	0	0	0	100	0	100
Professional Trainee Scheme	0	0	0	0	0	0	90	0	90
Section 106 Interest	32	0	0	0	32	0	0	0	32
Christmas Decorations	14	0	0	0	14	0	0	0	14
Electric Van Replacement	19	0	4	0	24	0	4	(2)	27

	Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @ 31.03.22 £'000	Movements	Appropriations		Balance @31.03.23 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Air Quality Initiatives	11	0	6	0	16	0	6	0	22
Commons Parking	20	0	10	(29)	1	0	12	0	13
Tank Memorial	10	0	0	0	10	0	0	0	10
Mercury Abatement	317	0	0	(317)	0	0	0	0	0
City Hall Sinking Fund	60	0	0	0	60	0	0	0	60
City Hall Improvement	0	0	0	0	0	0	50	0	50
Birchwood Leisure Centre	46	0	20	0	66	0	20	0	86
Staff Wellbeing	0	0	0	0	0	0	28	0	28
Covid Recovery Reserve	1,047	0	0	0	1,047	0	0	0	1,047
Covid Response	354	0	0	0	354	0	0	0	354
CX Capacity Reserve	0	0	0	0	0	0	100	0	100
MSCP & Bus Station	60	0	44	0	104	0	45	0	149
Western Growth Corridor Plan	80	0	0	(30)	49	0	0	(49)	0
<b>Total General Fund</b>	<b>19,563</b>	<b>0</b>	<b>6,897</b>	<b>(13,792)</b>	<b>12,668</b>	<b>0</b>	<b>1,430</b>	<b>(7,057)</b>	<b>7,040</b>
<b>Earmarked Reserves</b>									
<b>HRA</b>									
De Wint Court	73	0	0	0	73	0	0	0	73
De Wint Court Sinking Fund	0	0	0	0	0	0	10	0	10
Capital Fees Equalisation	110	0	0	0	110	0	0	0	110
NSAP/RSAP Sinking Fund	0	0	0	0	0	0	9	0	9
HRA Strategic Priority Reserve	722	0	0	(140)	582	0	240	(58)	764
Disrepair Management	0	0	300	0	300	0	0	0	300
HRA Business Plan	0	0	77	0	77	0	100	0	177
Tenant Satisfaction Survey	0	0	0	0	0	0	22	0	22
HRA Survey Works	54	0	0	(54)	0	0	0	0	0
Stock Retention	22	0	0	(22)	0	0	0	0	0
HRA IT Reserve	0	0	0	0	0	0	135	0	135
Strategic Growth Reserve	26	0	0	(21)	5	0	0	0	5
Invest to Save (HRA)	133	0	160	(40)	253	0	240	(77)	416
HRA Repairs Account	1,351	0	0	0	1,351	0	0	0	1,351
Housing Repairs Service	126	0	0	0	126	0	11	0	137

	Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @ 31.03.22 £'000	Movements	Appropriations		Balance @31.03.23 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Total HRA Earmarked Reserves	2,617	0	537	(277)	2,877	0	767	(135)	3,509
Total Earmarked Reserves	22,180	0	7,434	(14,069)	15,545	0	2,197	(7,192)	10,549
Insurance Fund	3,862	0	0	(432)	3,431	0	417	(324)	3,523
Total Earmarked Reserves	26,043	0	7,434	(14,501)	18,975	0	2,614	(7,516)	14,073

## 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 **2022/23** 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:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
3,862	<b>Opening Balance</b>	3,430
(282)	Funding of claims/losses	(324)
(150)	Contributions from revenue	417
<b>3,431</b>	<b>Closing Balance</b>	<b>3,523</b>

## Note 11 – Other Operating Expenditure

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
871	Levies	923
529	Payments to the Government Housing Capital Receipts Pool	0
(934)	(Gains)/losses on the disposal of non-current assets	(627)
<b>467</b>	<b>Total</b>	<b>296</b>

## Note 12 – Financing and Investment Income and Expenditure

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
3,797	Interest payable and similar charges	3,840
2,077	Net interest on the net defined liability	1,381
(1,020)	Interest receivable and similar income	(3,029)
<b>4,854</b>	<b>Total</b>	<b>2,192</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(7,047)	Council Tax income	(7,261)
(5,351)	Retained Business Rates income and expenditure	(5,927)
(1,328)	Non service related government grants	(899)
(23)	RSG	(24)
(7,892)	Capital grants and contributions	(9,941)
<b>(21,641)</b>	<b>Total</b>	<b>(24,051)</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 2022/23										
	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 2022	299,437	79,721	11,157	6,692	21,490	5,705	424,202	2,074	36,016	462,292
Additions	7,762	861	322	808	0	9,645	19,399	0	0	19,399
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10	651	0	0	(252)	0	409	0	0	409
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	11,939	116	0	0	313	0	12,368	0	562	12,930
De-recognition and disposals	(2,611)	0	0	0	0	0	(2,611)	0	0	(2,611)
Other movements in cost or valuation	6,090	(120)	0	0	(402)	(5,568)	0	0	0	0
At 31 March 2023	322,627	81,229	11,479	7,500	21,149	9,782	453,766	2,074	36,578	492,418
Depreciation										
At 1 April 2022	0	(1,824)	(5,780)	(119)	0	0	(7,723)	(1,868)	0	(9,591)
Depreciation/amortisation for year	(7,543)	(1,638)	(762)	0	0	0	(9,943)	(119)	0	(10,062)
Depreciation written out to the Revaluation Reserve	0	48	0	0	0	0	48	0	0	48

<b>Movements in 2022/23</b>										
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,458	0	0	0	0	0	<b>7,458</b>	0	0	<b>7,458</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	65	0	0	0	0	0	<b>65</b>	0	0	<b>65</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 2023</b>	<b>(20)</b>	<b>(3,415)</b>	<b>(6,542)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(10,096)</b>	<b>(1,986)</b>	<b>0</b>	<b>(12,082)</b>
<b>Net book value of assets at 31.03.23</b>	<b>322,607</b>	<b>77,814</b>	<b>4,937</b>	<b>7,381</b>	<b>21,149</b>	<b>9,782</b>	<b>443,670</b>	<b>88</b>	<b>36,578</b>	<b>480,336</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>
Owned	322,607	77,814	4,937	7,381	21,149	9,782	443,670	88	36,578	480,336

<b>Movements in 2021/22</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 2021</b>	<b>274,502</b>	<b>81,265</b>	<b>9,169</b>	<b>5,918</b>	<b>20,967</b>	<b>8,241</b>	<b>400,062</b>	<b>1,992</b>	<b>34,203</b>	<b>436,256</b>
Additions	12,398	1,265	1,961	774	0	3,755	<b>20,153</b>	64	0	<b>20,218</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(36)	(455)	0	0	2,174	0	<b>1,683</b>	0	0	<b>1,683</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	9,286	(1,433)	0	0	(286)	0	<b>7,567</b>	0	408	<b>7,974</b>
De-recognition and disposals	(2,340)	0	0	0	0	0	<b>(2,340)</b>	0	0	<b>(2,340)</b>
Other movements in cost or valuation	5,628	(922)	26	0	(1,365)	(6,291)	<b>(2,924)</b>	18	1,406	<b>(1,500)</b>
<b>At 31 March 2022</b>	<b>299,437</b>	<b>79,721</b>	<b>11,157</b>	<b>6,692</b>	<b>21,490</b>	<b>5,705</b>	<b>424,201</b>	<b>2,074</b>	<b>36,016</b>	<b>462,291</b>
<b>Depreciation</b>										
<b>At 1 April 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>
Depreciation/amortisation for year	(7,159)	(1,604)	(488)	0	0	0	<b>(9,251)</b>	(66)	0	<b>(9,318)</b>
Depreciation written out to the Revaluation Reserve	33	1,271	0	0	3	0	<b>1,307</b>	0	0	<b>1,307</b>
<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	0	0	0	0
De-recognition – disposals	58	0	0	0	0	0	58	0	0	58
De-recognition – other	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(7)	0	0	7	0	0	0	0	0
<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

## 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      Mr P Clifton      MRICS

The table below shows council owned assets re-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>Valuation at historical cost</b>			7,381	4,937		9,782
<b>Valued at current value as at:</b>						
31/03/2023	321,980	4,161			661	
31/03/2022	627	18,738			10,558	
31/03/2021		37,251			423	
31/03/2020		2,405			8	
31/03/2019		15,259			9,500	
<b>Total cost or valuation</b>	<b>322,607</b>	<b>77,814</b>	<b>7,381</b>	<b>4,937</b>	<b>21,149</b>	<b>9,782</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
- 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

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- 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 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>
<b>Cost or Valuation</b>					
At 1 April 2022	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
<b>At 31 March 2023</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
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#### Memorials

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

#### Public Art

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

## Note 16 – Investment Properties and Surplus Assets

Movements in the value of Investment Properties are shown in note 14. The current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
1,994	Rental income from investment property	2,191
(19)	Direct operating expenses arising from investment property	(7)
408	Fair value gains/(losses) on investment properties	562
0	Gains/(losses) on disposal of investment properties	0
<b><u>2,383</u></b>	<b>Net gain/(loss)</b>	<b><u>2,746</u></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:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>34,203</b>	<b>Balance at 1 April</b>	<b>36,016</b>
0	Additions	0
0	Disposals	0
408	Net gain/loss from Fair Value Adjustment	56
1,406	Transfers (to)/from Other Land and Buildings	0
<b><u>36,016</u></b>	<b>Balance at 31 March</b>	<b><u>36,578</u></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 2023 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 £119k (£66k in 21/22) was charged to service headings in the Cost of Services.

### **Note 18 – Financial Instruments**

The Council has the following investments at 31 March 2023:

### **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:

	31/03/2022	31/03/2023
	£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 2023

	Unquoted Shares	Other	Total
	£000	£000	£000
<b>Opening Balance</b>	312	0	312
Transfers into level 3	0	0	0
Transfers out of Level 3	(312)	0	(312)
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	0	0	0
Additions	0	0	0
Disposals	0	0	0
<b>Closing Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

Summary of Financial Instruments		31/3/22	31/3/23
		£000s	£000s
<b>Financial Liabilities at amortised cost</b>			
Long Term Borrowing	Level 1	(111,962)	(109,243)
Short Term Borrowing	Level 1	(14,931)	(14,394)
Long Term Creditors	Level 1	0	0
Short Term Creditors	Level 1	(12,408)	(11,481)
Cash and Cash Equivalents	Level 1	0	0
<b>Total Financial Liabilities</b>		<b>(139,302)</b>	<b>(135,118)</b>
<b>Financial Assets at amortised cost</b>			
Short Term Investments	Level 1	49,878	36,932
Long Term Debtors	Level 1	724	611
Short Term Debtors	Level 1	8,891	8,313
Cash and Cash Equivalents	Level 1	(103)	509
<b>Total Financial Assets</b>		<b>59,390</b>	<b>46,365</b>
<b>Financial Assets at FVOCI*</b>			
Long Term Investments	Level 2	816	824
<b>Total Assets at FVOCI</b>		<b>816</b>	<b>824</b>

\*Fair Value through Other Comprehensive Income

\*\* See table below for detail

Shares Held in Investors in Lincoln were transferred between levels in the hierarchy during 2022/23, from level 3 to level 2 making use of observable measures to produce a more appropriate valuation.

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:

<b>2022/23</b>	Financial Liabilities	Financial Assets		Total
	Amortised Cost		FVOCI	
	£000	£000	£000	£000
Interest Expense	3,840			3,840
Interest Income credited to services		(1,167)		(1,167)
Dividend Income			(40)	(40)
Surplus or deficit arising on revaluation of financial assets			(8)	(8)
<b>Net (gain)/loss for the year</b>	<b>3,840</b>	<b>(1,167)</b>	<b>(48)</b>	<b>2,625</b>

<b>2021/22</b>				
Interest Expense	3,721			3,721
Interest Income credited to services		(77)		(77)
Interest 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>

### 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 31/3/23	As at 31/3/22
			£'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 2	Share of Net Assets	320	312
Total			824	816

\* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £319,882 has been based on the authorities share of net assets of the company.

\*\*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

31/03/22			Fair Value hierarchy**	31/03/23	
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
95,612	99,356	PWLB Debt	Level 2	95,394	75,156
16,174	25,339	Money Market Debt	Level 2	16,175	16,300
0	0	Bonds/Charity	Level 2	34	34
15,108	14,960	Other	Level 2/3	12,033	11,946
<u>126,894</u>	<u>139,655</u>	<b>Total Debt</b>		<u>123,636</u>	<u>103,435</u>

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

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

### Financial Assets

31/03/22				31/03/23	
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
49,878	49,878	Money Market Investments <1 year		36,932	36,932
0	0	Money Market Investments >1 year		0	0
724	724	Long Term Debtors		611	611
<u><b>50,602</b></u>	<u><b>50,602</b></u>	<b>Total Investments</b>		<u><b>37,543</b></u>	<u><b>37,543</b></u>

The fair value of Public Works Loan Board (PWLB) loans of £75.156m 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 £95.394m would be valued at £75.156m. 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 discounts available (due to increase in BOE base rate) would be £75.151m.

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).

	<b>Consumable Stores</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at the start of the year</b>	<b>138</b>	<b>104</b>
Purchases	11	57
Recognised as an expense in the year	(45)	(11)
<b>Balance outstanding at the year-end</b>	<b>104</b>	<b>150</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>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
12,713	Central Government Bodies	3,769
5,345	Other Local Authorities	5,563
4	NHS Bodies	4
10,987	Other Entities and Individuals	11,224
<b>29,049</b>	<b>Total Short-Term Debtors</b>	<b>20,559</b>
<b>(4,133)</b>	Less Impairment Loss Allowance	<b>(4,014)</b>
<b>24,916</b>	<b>Net Short-Term Debtors as per Balance Sheet</b>	<b>16,545</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>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
115	Less than three months	158
186	Three to six months	296
3,521	Six months to one year	903
5,171	More than one year	7,321
<b>8,993</b>	<b>Total</b>	<b>8,678</b>

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

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

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
1	Cash held by the Council	1
(104)	Bank Current accounts	508
<b>(103)</b>		<b>509</b>

The balance at 31/3/2023 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 2023.

<b>Current</b>		<b>Current</b>
<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
0	Balance at start of the year	0
0	Additions	0
	Newly classified:	
1,500	- Property Plant & Equipment	1,500
0	Revaluation gain/(loss)	0
0	Transfers from AHFS	0
0	Disposals	0
<b>1,500</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:

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
(28,327)	Central Government Bodies	(12,603)
(607)	Other Local Authorities	(2,122)
(14,995)	Other Entities and Individuals	(11,529)
<b>(43,929)</b>	<b>Total</b>	<b>(26,254)</b>

## Note 24 – Provisions

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

	<b>Business Rates RV Reduction the Think Tank</b>	<b>Compulsory Purchase Order</b>	<b>Business Rates Appeals</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2022</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,067)</b>
Additional Provisions made in 2022/23	0	0	(1,759)
Amounts used in 2022/23	0	0	114
Unused Amounts Reversed in 2022/23	0	0	1,859
Unwinding of Discounting in 2022/23	0	0	0
Interest Applied in 2022/23	0	(2)	
<b>Balance at 31 March 2023</b>	<b>(37)</b>	<b>(96)</b>	<b>(1,852)</b>

The provision for business rate appeals represents the Council's share (40% of £4.630m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2023. 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 31/03/22	Net Movemen t in Year	Balance 31/03/23	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	31,542	457	31,999	Store of gains on revaluation of assets	a) below
Pensions Reserve	(84,939)	78,055	(6,884)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	282,571	23,934	306,505	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	(48)	2	(46)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	801	8	809	Store of gains on revaluation of investments not yet realised through sales	e) below

<b>Reserve</b>	<b>Balance 31/03/22</b>	<b>Net Movemen t in Year</b>	<b>Balance 31/03/23</b>	<b>Purpose of Reserve</b>	<b>Further Details of Movements</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		
Collection Fund Adjustment Account – Council Tax	(29)	(94)	(123)	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below
Collection Fund Adjustment Account – NNDR	(4,037)	4,754	717	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(669)	87	(582)	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>225,249</b>	<b>107,203</b>	<b>332,454</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.



2021/22 £'000		2022/23 £'000
<b>(29,350)</b>	<b>Balance 1 April</b>	<b>(31,543)</b>
(3,712)	Upward Revaluation of assets	(2,859)
722	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	2,265
<hr/> (2,989)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<hr/> (594)
136	Difference between fair value depreciation and historical cost depreciation	138
661	Amounts written out to the Capital Adjustment Account	0
<hr/> <b>(31,542)</b>	<b>Balance 31 March</b>	<hr/> <b>(31,999)</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.

2021/22 £'000		2022/23 £'000
(263,163)	<b>Balance 1 April</b>	(282,571)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
9,318	Charges for depreciation and amortisation of non-current assets	10,062
0	Other movements of depreciation	0
(14,668)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(19,687)
(408)	Fair value movements on Investment Properties	(562)
1,677	Revenue expenditure funded from capital under statute	4,461
2,282	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	2,546
0	Other adjustments	0
<b>(1,799)</b>		<b>(3,180)</b>
(797)	Adjusting amounts written out of the Revaluation Reserve	(138)
	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
<b>(2,596)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(3,318)</b>
	<b>Capital Financing applied in year:</b>	
(1,340)	Use of Capital Receipts to finance new capital expenditure	(1,934)
(150)	Use of Capital Receipts to reduce capital financing requirement	0
(3,842)	Use of the Major Repairs Reserve to finance new capital expenditure	(6,778)
(215)	Capital expenditure charged against the General Fund and HRA balances	(750)
(9,821)	Application of Capital Grants to finance new capital expenditure	(10,330)
(1,444)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(824)
<b>(16,812)</b>		<b>(20,616)</b>
<b>(282,571)</b>	<b>Balance 31 March</b>	<b>(306,505)</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:

2021/22 £'000		2022/23 £'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.

2021/22 £'000		2022/23 £'000
51	<b>Balance 1 April</b>	48
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>48</b>	<b>Balance 31 March</b>	<b>46</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.

2021/22 £'000	Financial Instruments Revaluation Reserve	2022/23 £'000
(738)	<b>Balance 1 April</b>	(801)
0	Transfer from Available for Sale Financial Instruments Reserve	0
(63)	(Gain)/Loss on FVOCI revaluations in year	(8)
<b>(801)</b>	<b>Balance 31 March</b>	<b>(809)</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.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>196</b>	<b>Balance 1 April</b>	<b>29</b>
	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	94
(167)		
<b>29</b>	<b>Balance 31 March</b>	<b>123</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.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>11,428</b>	<b>Balance 1 April</b>	<b>4,037</b>
	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	(4,754)
(7,391)		
<b>4,037</b>	<b>Balance 31 March</b>	<b>(717)</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.

<b>2021/22</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>

	<b>770</b>	<b>Balance 1 April</b>	<b>669</b>
(770)		Settlement or cancellation of accrual made at the end of the preceding year	(669)
669		Amounts accrued at the end of the current year	582
		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	(87)
	<b>669</b>	<b>Balance 31 March</b>	<b>582</b>

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

The cash flows for operating activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
62	Interest received	2,810
(3,786)	Interest paid	(4,129)
26	Dividends Received	40
<b>(3,698)</b>		<b>(1,279)</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
9,252	Depreciation	9,943
(14,668)	Impairment and downward valuations	(19,687)
66	Amortisation	119
0	Increase/(decrease) in impairment for bad debts	0
9,863	Increase/(decrease) in creditors	(22,167)
(7,732)	(Increase)/decrease in debtors	7,265
35	(Increase)/decrease in inventories	46
4,981	Movement in pension liability	2,528
2,282	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,546
(851)	Other non-cash items charged to the net surplus or deficit on the provision of services	(774)
<b>3,228</b>		<b>(20,273)</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(3,216)	Proceeds from sale of PPE, investment property and intangible assets	(3,173)
(7,892)	Any other items for which the cash effects are investing or financing cash flows	(9,941)
<b><u>(11,108)</u></b>		<b><u>(13,114)</u></b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(19,966)	Purchase of property, plant and equipment, investment property and intangible assets	(19,458)
(150,686)	Purchase of short-term and long-term investments	(249,659)
0	Other payments for investing activities	0
3,216	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,173
134,736	Proceeds from short-term and long-term investments	263,028
7,892	Other receipts from investing activities	10,054
<b><u>(24,808)</u></b>	<b>Net cash flows from investing activities</b>	<b><u>7,138</u></b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
0	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
11,381	Cash receipts of short & long-term borrowing	6,640
0	Other receipts from financing activities	0
(9,643)	Repayments of short- and long-term borrowing	(9,895)
11,360	Other payments for financing activities	5,226
<b><u>13,098</u></b>	<b>Net cash flows from financing activities</b>	<b><u>1,971</u></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.

2021/22				2022/23		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
9,118	(7,760)	1,359	HRS	9,732	(9,139)	594
54	(395)	(341)	Industrial Estates	40	(408)	(368)
67	(2,000)	(1,932)	Lincoln Properties	71	(2,161)	(2,090)
9,240	(10,154)	(914)	Total (Surplus)/Deficit	9,843	(11,708)	(1,865)

### 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 2022/23 totalled £249,496 (£245,456 in 2021/22).

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

<b>2022/23</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>	130,602	0	0	0	22,594	153,196
Strategic Director of Housing & Regeneration	101,101	0	0	0	17,456	118,557
Strategic Director of Communities & Environment	100,904	0	0	0	17,456	118,360
Strategic Director of Major Developments	100,904	0	0	0	17,456	118,360
<b>Total</b>	<b>433,512</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,963</b>	<b>508,473</b>

- 1) The salary costs for the Chief Executive include £3.2k relating to election expenses in 22/23.

<b>2021/22</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>	141,540	0	0	0	22,686	164,226
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>
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- 1) The salary costs for the Chief Executive include £16.1k relating to election expenses in 2021/22

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>2022/23</b>	<b>2021/22</b>
<b>£</b>		
50,000 - 54,999	13	6
55,000 - 59,999	5	3
60,000 - 64,999	2	2
65,000 - 69,999	3	5
70,000 - 74,999	3	0
75,000 - 79,999	1	1
80,000 - 84,999	1	1

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

The figure above for 2022/23 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:

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band [b + c]</b>		<b>Total cost of exit packages in each band</b>	
	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>
							<b>£</b>	<b>£</b>
£0 - £20,000	0	0	4	8	4	8	32,934	57,313
£20,001 - £40,000	0	0	4	4	4	4	122,870	111,129
£40,001 - £60,000	0	0	4	1	4	1	176,082	54,569
£60,001 - £80,000	0	0	1	1	1	1	60,530	65,547
£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							392,416	0
Add: Amounts provided for in CIES not							0	0

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£	£
included in bandings								
<b>Total cost included in CIES</b>							<b>392,416</b>	<b>288,557</b>

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

### Note 36 – External Audit Costs

In 2022/23 the following fees relating to External Audit and Inspection were incurred and paid to Mazars, the Council's external auditors:

2021/22 £'000		2022/23 £'000
	<b><u>Fees payable for statutory audit services</u></b>	
60	Fees Payable with regard to external audit services carried out by the appointed auditor	57
<b>60</b>		<b>0</b>
	<b><u>Fees payable for other audit services</u></b>	
14	Fees payable for the certification of grant claims and returns	11
<b>75</b>	<b>Total fee payable to external auditors</b>	<b>69</b>

The fees relating to external audit services include the amount of £48,000 for the provision of the annual audit and £9,000 for advice relating to Value for Money 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 2022/23 is an estimate, as the work will be carried out in the period July to September 2023.

### Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

Credited to Taxation and Non-Specific Grant Income		
2021/22 £'000		2022/23 £'000
(23)	Revenue Support Grant	(24)
(213)	New Homes Bonus	(421)
	98	
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(8)	Transparency Code Setup Grant	(8)
(640)	COVID	0
(266)	Lower Tier Services Grant	(174)
0	Services Grant	(263)
0	Business rates levy surplus distribution	(32)
(201)	Local Council Tax Support Admin Subsidy	0
<b>(1,351)</b>	<b>Total Non-Ring-fenced Grants shown on CIES</b>	<b>(923)</b>
(852)	Disabled Facilities Grants	(852)
(173)	Section 106 agreement	(78)
(1407)	Lincolnshire County Council	0
(256)	Heritage Lottery Fund	(34)
(941)	Historic England	(1,019)
(13)	Department of Transport	0
(3,333)	Homes England	(931)
(498)	Towns Fund	(6,120)
(270)	Police & Crime Commissioner	0
0	Nottingham City Council	(12)
(150)	Other Capital Grants and Contributions	(896)
<b>(7,892)</b>	<b>Total Capital Grants and Contributions shown on CIES</b>	<b>(9,941)</b>
<b>(5,211)</b>	<b>S31 Grants included in Non-Domestic Rates Income on CIES</b>	<b>(3,192)</b>
<b>(5,211)</b>	<b>S31 Grants included in Non-Domestic Rates Income on CIES</b>	<b>(3,192)</b>
<b>(14,455)</b>	<b>Total Non-Ringfenced Grants included in CIES</b>	<b>(14,056)</b>

<b>2021/22 £'000</b>	<b>Credited to Services</b>	<b>2022/23 £'000</b>
(11,590)	Rent Allowances	(11,402)
(10,589)	Rent Rebates	(10,452)
(187)	Discretionary Housing Payments	(132)
(334)	Housing Benefit Administration	(340)
(789)	New Burdens Grant Determination	(347)
(48)	Historic England	(118)
(148)	Local Council Tax Support Admin Subsidy	(144)

(33)	Home Office	(4)
(11)	Towns Fund	(78)
(1,700)	Homeless Specific	(1,798)
0	Council Tax Energy Rebate Grant	(6,121)
(2,612)	COVID Business Support Grants	(494)
(602)	Other Grants	(516)
<b>(28,643)</b>	<b>Total Grants and Contributions credited to Services</b>	<b>(31,947)</b>
<b>(43,098)</b>	<b>Total Grants, Contributions and Donated Assets</b>	<b>(46,003)</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 2022/23 the Council sent a letter, dated 1 April 2023, 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 Councillor C Burke Councillor D Armiger Councillor C Watt Councillor R Metcalfe Councillor B Bushell Councillor D Nannestad	Chief Executive
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive

Name of Organisation	Member Representative	Officer Representative
	Councillor D Nannestad Councillor B Bushell Councillor J Kik	
Lincoln Dial-a-Ride	Councillor G Hewson	Chief Executive
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

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 2022/23 were as follows:

2021/22 £'000		2022/23 £'000
464	Upper Witham Drainage Board	493
139	Witham 1 <sup>st</sup> Drainage Board	148
268	Witham 3 <sup>rd</sup> Drainage Board	282
<b>871</b>	<b>Total</b>	<b>923</b>

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

2021/22

2022/23

£'000		£'000
20	Lincoln Dial-a-Ride	57
28	Citizens Advice Bureau	0
23	Brayford Trust	25

**Collaborative Agreements** – The Council holds 6.3% (£12,350) of the ordinary share capital of £196,000 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.

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2022, showing net assets of £4.478m and a loss of £4,875. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

The previous funding and management agreement that existed between ILL and the Council ended in January 2022 and a new lease agreement is now in operation until 2036 with break clauses within it. The lease continues the operation of Greetwell Place as a managed office workspace with the Council's staff operating the facility in the same way as previously, so there are no material changes to the businesses or operational approach. The annual rent payable to ILL is 50% of the rents collected, which is paid at £9,000 per month with an end of year reconciliation with payments or repayments made accordingly. The Council use the remaining 50% of the rent to cover operational and maintenance costs retaining any surpluses or funding any deficit accordingly.

**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:

2021/22 £'000		2022/23 £'000
	<b>Capital investment</b>	
20,154	Property, Plant and Equipment	19,399
0	Investment Properties	0
64	Intangible Assets	0
1,677	Revenue Expenditure Funded from Capital under Statute	4,461
<b>21,895</b>		<b>23,860</b>
2021/22 £'000		2022/23 £'000
	<b>Sources of finance</b>	
(1,340)	Capital Receipts	(1,934)
(9,821)	Government grants and other contributions	(10,330)
(215)	Revenue Contributions	(62)
(3,842)	Major Repairs Reserve	(7,465)
<b>(15,218)</b>	<b>Total sources of financing</b>	<b>(19,791)</b>
<b>(6,677)</b>	<b>Capital Financing Requirement</b>	<b>(4,069)</b>
	<b>Capital Financing Requirement - Funded by:</b>	
(6,677)	Unsupported Borrowing	(4,069)
<b>(6,677)</b>		<b>(4,069)</b>
137,776	Opening CFR	142,859
6,677	Unsupported borrowing	4,069
0	Adjustments in respect of leases disposed under finance lease	0
(1,444)	Minimum Revenue Provision/Voluntary Revenue Provision	(824)
(150)	Application of capital receipts to reduce CFR	0
<b>142,859</b>	<b>Closing CFR</b>	<b>146,104</b>

The Council has a five-year Housing Investment programme, of which £2.254m is contractually committed for delivery in 2023/24. 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 £1m is contractually committed in 2023/24 to complete the Central Market refurbishment.

## 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.

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

31/03/2022		31/03/2023
£'000		£'000
170	Not later than one year	260
22	Later than one year and not later than five years	1,460
0	Later than five years	101
<b>192</b>		<b>1,820</b>

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

2021/22		2022/23
£'000		£'000
193	Vehicles Plant & Equipment	234
<b>193</b>	<b>Minimum lease payments</b>	<b>234</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 2022/23.

#### 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



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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
2,746	Not later than one year	2,727
9,860	Later than one year and not later than five years	9,312
20,650	Later than five years	18,974
<b>33,257</b>		<b>31,013</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as rent reviews. In 2022/23, (£391k) contingent rents were foregone by the Authority (2021/22 £386k received).

#### **Note 41 – Impairment Losses**

There were no impairment losses during 2022/23.

#### **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 2022/23, incurring liabilities of £0.289m (£0.392m in 2021/22) – 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:

2021/22 £'000		2022/23 £'000
	<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>	
	<b>Net Cost of Services:</b>	
7,803	Current Service Cost	6,165
0	Administration Expenses	129
0	Past Service Costs (including curtailments)	129
	<b>Financing and Investment Income and Expenditure:</b>	
2,077	Net Interest Expense	1,381
<b>9,880</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,804</b>

2021/22 £'000		2022/23 £'000
	<b>Re-measurement of the net defined benefit liability comprising:</b>	
(14,956)	Return on plan assets (excluding the amount included in the net interest expense)	9,638
0	Actuarial gains and losses arising on changes in demographic assumptions	(12,431)
(11,699)	Actuarial gains and losses arising on changes in financial assumptions	(101,387)
0	Other Actuarial gains / losses on assets	2,851

473	Other	20,746
(26,182)	<b>Total re-measurements recognised in Other Comprehensive Income and Expenditure</b>	(80,583)
<b>(16,302)</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(72,779)</b>

**2021/22**  
**£'000**

**2022/23**  
**£'000**

**Movement in Reserves Statement**

9,880	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	7,804
(4,899)	Actual amount charged against the General Fund Balance for pensions in the year:	(5,276)

**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:

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
(259,765)	Present value of the defined obligations	(173,348)
174,816	Fair value of plan assets	166,465
<b>(84,949)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(6,883)</b>

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

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
158,769	Opening fair value of scheme assets	174,816
3,156	Interest Income	5,467
14,956	The return on plan assets, excluding the amount included in the net interest expense	(9,638)
0	Other actuarial gains / (losses)	(2,851)
4,888	Contributions from employer	5,287
1,017	Contributions from employees into the scheme	1,095
(7,851)	Benefits Paid	(7,582)
(119)	Administration Expenses	(129)
0	Settlement Prices received/(paid)	0
<b>174,816</b>	<b>Closing Fair value of scheme assets</b>	<b>166,465</b>

**Reconciliation of Present Value of the scheme liabilities:**

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
264,908	Opening balance at 1 April	259,765
7,461	Current Service Cost	6,165

5,233	Interest Cost	6,848
1,017	Contributions from scheme participants	1,095
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	(12,431)
(11,699)	Actuarial gains/losses arising from changes in financial assumptions	(101,387)
473	Other	20,746
223	Past Service Cost	129
0	Liabilities assumed/(extinguished) on settlements	0
(7,851)	Benefits Paid	(7,394)
0	Unfunded pensions Payments	(188)
<b>259,765</b>	Closing Balance at 31 March	<b>173,348</b>

#### Local Government Pension Scheme assets comprised:

Quoted in Active Markets	Unquoted in Active Markets	Total		Quoted in Active Markets	Unquoted in Active Markets	Total
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£'000	£'000	£'000		£'000	£'000	£'000
			Fixed Interest Government Securities:			
1,748	0	1,748	UK	1,665	0	1,665
0	0	0	Overseas	0	0	0
<b>1,748</b>	<b>0</b>	<b>1,748</b>	<b>Sub-total Fixed Interest Government Securities</b>	<b>1,665</b>	<b>0</b>	<b>1,665</b>
			Index Linked Government Securities:			
2,622	0	2,622	UK	1,665	0	1,665
0	0	0	Overseas	0	0	0
<b>2,622</b>	<b>0</b>	<b>2,622</b>	<b>Sub-total Index Linked Government Securities</b>	<b>1,665</b>	<b>0</b>	<b>1,665</b>
			Corporate Bonds:			
16,083	0	16,083	UK	14,982	0	14,982
0	0	0	Overseas	0	0	0
<b>16,083</b>	<b>0</b>	<b>16,083</b>	<b>Sub-total corporate bonds</b>	<b>14,982</b>	<b>0</b>	<b>14,982</b>
			Equities:			
27,446	0	27,446	UK	24,970	0	24,970
69,052	0	69,052	Overseas	68,251	0	68,251
<b>96,498</b>	<b>0</b>	<b>96,498</b>	<b>Sub-Total equities</b>	<b>93,220</b>	<b>0</b>	<b>93,220</b>
			Property:			
11,887	699	12,587	All	9,988	1,665	11,653
<b>11,887</b>	<b>699</b>	<b>12,587</b>	<b>Sub-Total Property</b>	<b>9,988</b>	<b>1,665</b>	<b>11,653</b>
			Others:			

350	4,895	5,245	Hedge Fund	0	6,659	6,659
524	12,237	12,761	Private Equity	0	11,653	11,653
1,049	5,944	6,993	Infrastructure	0	6,659	6,659
1,049	0	1,049	Commodities	0	0	0
0	0	0	Bonds	0	0	0
7,867	0	7,867	Credit – Diversified Income	8,323	0	8,323
0	1,748	1,748	Private Debt	0	3,329	3,329
2,447	175	2,622	Other Diversified Alternatives	0	1,665	1,665
0	175	175	Forward Current Contracts	0	0	0
6,643	0	6,643	Cash/Temporary Investments	4,994	0	4,994
<b>19,929</b>	<b>25,174</b>	<b>45,103</b>	<b>Sub-Total Others</b>	<b>13,317</b>	<b>29,964</b>	<b>43,281</b>
Net Current Assets:						
175	0	175	Debtors	0	0	0
0	0	0	Creditors	0	0	0
<b>175</b>	<b>0</b>	<b>175</b>	<b>Sub-Total Net Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>148,943</b>	<b>25,873</b>	<b>174,816</b>	<b>Total assets</b>	<b>134,837</b>	<b>31,628</b>	<b>166,465</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 2022.

The significant assumptions used by the actuary have been:

2021/22		2022/23
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
21.2	Men	19.8
23.7	Women	22.9
	<u>Longevity (in years) at 65 for future pensioners:</u>	
22.1	Men	21.1
25.1	Women	24.4
3.6%	Rate of increase in salaries	3.9%
3.3%	Rate of increase in pensions	2.9%
2.6%	Rate for discounting scheme liabilities	4.8%

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.

#### **Sensitivity Analysis:**

	<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	(2,623)	(5,375)
Projected Service Cost	(106)	109
<b>Adjustment to Long Term Salary (increase or decrease by 1%)</b>		
Present Value of Total Obligation	254	(251)
Projected Service Cost	2	(2)
<b>Adjustment to Pension/Revaluation (increase or decrease by 1%)</b>		
Present Value of Total Obligation	2,486	(2,422)
Projected Service Cost	111	(107)
<b>Adjustment to Life Expectancy (increase or decrease by 1 year)</b>		
Present Value of Total Obligation	7,300	(6,972)
Projected Service Cost	114	(112)

#### **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 2026.

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 2023/24 are estimated to be £4.792m.

#### **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 2023.

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 2023.

#### **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 1<sup>st</sup> March 2022. 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 2022/23 were:

- The Authorised Limit for 2022/23 was forecast to be £158m (revised to £137m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £149m (revised to £133m). 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 £134m and £55.4m (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 2022/23 was approved by full Council on 1<sup>st</sup> March 2022.

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 31/03/23 £'000 a	Historical experience of default % b	Adjusted for market conditions at 31/03/23 % c	Estimated maximum exposure to default £'000 (a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	14,685	0.0000%	0.0000%	0
• AA-* rated counterparties (investments up to 1 year)	3,000	0.0110%	0.0110%	0
• A* rated counterparties (investments up to 1 year)	9,000	0.0105%	0.0105%	1
• A+* rated counterparties (investments up to 1 year)	8,000	0.0130%	0.0130%	1
• A- rated counterparties (investments up to 1 year)	2,000	0.0040%	0.0040%	0
Debtors	8,313	7.17%	7.17%	596
	<b>44,998</b>			<b>598</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>					

London Borough of Barking and Dagenham	3,000	3,000	0	0	0
<b><u>UK Banks &amp; Building Societies</u></b>					
Lloyds Bank plc	7,000	7,000	0	0	0
Goldman Sachs	3,000	3,000	0	0	0
National Westminster Bank Plc (RFB)	2,000	2,000	0	0	0
SMBC	2,000	2,000	0	0	0
Standard Chartered Bank	5,000	5,000	0	0	0
<b><u>UK Money Market Funds</u></b>					
Aberdeen Standard MMF	5,410	0	5,410	0	0
BlackRock MMF	4,600	0	4,600	0	0
BNP Paribas MMF	1,750	0	1,750	0	0
Federated Investors (UK) MMF	255	0	255	0	0
Goldman Sachs MMF	0	0	0	0	0
Morgan Stanley MMF	2,670	0	2,670	0	0
<b>Total Investments</b>	<b>36,685</b>	<b>22,000</b>	<b>14,685</b>	<b>0</b>	<b>0</b>

The Council allows credit for its trade debtors, such that £818,802 of the £3,014,903 balance is not past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
269	Less than three months	425
399	Three to six months	251
521	Six months to one year	312
1,321	More than one year	1,208
<b>2,510</b>	<b>Total</b>	<b>2,196</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: -

31/03/22 £'000		31/03/23 £'000	
14,931	Less than one year	14,394	
2,720	Between one and two years	2,225	
3,588	Between two and five years	4,104	
105,654	More than five years	102,913	
<b>126,893</b>	<b>Total</b>	<b>123,636</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:

2021/22		2022/23
£'000		£'000
(255)	Increase in interest receivable on variable rate investments	(671)
<b>(255)</b>	<b>Impact on Income and Expenditure Account</b>	<b>(671)</b>
(81)	Share of overall impact credited to the HRA	(342)
(174)	Share of overall impact credited to the General Fund	(329)
<b>(255)</b>	<b>Total</b>	<b>(671)</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 2023

2021/22		Notes	2022/23	2022/23
£'000			£'000	£'000
	<b>Expenditure</b>			
(8,428)	Repairs and Maintenance	5	(8,982)	
(7,803)	Supervision and Management		(8,746)	
(607)	Rents, rates, taxes and other charges		(905)	
8,648	Depreciation, impairment and other adjustments for non-current assets		11,936	
(1)	Debt management costs		(9)	
(284)	Movement in the allowance for bad debts		(300)	
<b>(8,475)</b>	<b>Total Expenditure</b>			<b>(7,007)</b>
	<b>Income</b>			
28,700	Dwelling rents		30,089	
352	Non-dwelling rents		405	
766	Other Income		892	
262	Charges for services and facilities		544	
<b>30,080</b>	<b>Total Income</b>			<b>31,929</b>
<b>21,605</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>24,922</b>
(1,359)	Transfer from HRS			(641)
<b>20,246</b>	<b>Net Cost for HRA Services</b>			<b>24,281</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
904	Gain or (loss) on the sale of HRA assets			627
(2,425)	Interest payable and similar charges			(2,432)
24	Interest and investment income			613
(766)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9		(504)
4,353	Capital grants and contributions receivable			496
<b>22,336</b>	<b>Surplus or (deficit) for the year on HRA services</b>			<b>23,082</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2021/22 £'000		2022/23 £'000
1,075	<b>Balance on the HRA at the end of the previous year</b>	1,025
22,336	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	23,082
(22,054)	Adjustments between accounting basis and funding basis under statute	(22,174)
<b>282</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>907</b>
(331)	Transfers (to) or from reserves	(748)
(49)	<b>Increase or (decrease) in year on the HRA</b>	159
<b>1,025</b>	<b>Balance on the HRA at the end of the current year</b>	<b>1,184</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2023, totalled 7,795 properties. The type of properties and the period in which they were built, were as follows:

<b>Property Type</b>	<b>&lt;1945 No.</b>	<b>1945-64 No.</b>	<b>1965-74 No.</b>	<b>&gt;1974 No.</b>	<b>TOTAL No.</b>
Low Rise Flats (Blocks up to 2 Storeys)					
1 Bed	43	888	561	541	2,033
2 Bed	5	118	82	105	310
3 Bed	0	0	12	1	13
<b>Sub-Total</b>	48	1,006	655	647	2,356
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	235	268	553
2 Bed	0	215	110	148	473
3 Bed	0	15	4	1	20
4 Bed	0	0	0	0	0
<b>Sub-Total</b>	0	280	349	417	1,046
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	56	138	0	194
2 Bed	0	30	70	0	100
<b>Sub-Total</b>	0	86	208	0	294
Houses / Bungalows					
1 Bed	156	142	32	25	355
2 Bed	708	751	97	343	1,899
3 Bed	780	529	68	308	1,685
4 or more Beds	96	24	1	30	151
<b>Sub-Total</b>	1740	1,446	198	706	4,090
<b>Total Dwellings 31 March 2023</b>	<b>1,788</b>	<b>2,818</b>	<b>1,410</b>	<b>1,770</b>	<b>7,795</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 2023	766,580
Balance sheet valuation applying the Social Housing discount factor	321,964

The Balance Sheet value of HRA Assets is as follows:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
298,791	Council Dwellings	321,964
4,494	Other Operational Assets	4,432
18,015	Non-Operational Assets	16,750
<b>321,300</b>	<b>Total at 31 March</b>	<b>342,966</b>

### Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

<b>Depreciation:</b>		
<b>2021/23</b>		<b>2022/23</b>
<b>£'000</b>	<b>Operational Assets:</b>	<b>£'000</b>
7,145	Council Dwellings	7,523
278	Other Operational Assets	339
<b>7,423</b>	<b>Total at 31 March</b>	<b>7,862</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>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
<b>(14,139)</b>	<b>Balance on 1 April</b>	<b>(20,088)</b>
	Amount transferred from the HRA	
	- Depreciation	
(7,145)	Dwellings	(7,523)
(280)	Other Assets	(339)
(2,365)	- Other revenue contributions	(2,147)
<b>(23,929)</b>		<b>(30,097)</b>
	Used in Financing	
3,842	- HRA Capital Expenditure	6,778
	-DRF	688
<b>(20,088)</b>		<b>(22,631)</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.

2021/22 £'000		2022/23 £'000
<b>(1,351)</b>	Balance on 1 April	<b>(1,351)</b>
	<b>Expenditure in year</b>	
3,702	Tenant Notified Repairs	3,991
1,949	Void Repairs	1,938
1,762	Servicing Contracts	1,792
24	Painting Programme	0
107	Asbestos Removal/Surveys	190
3	Specialist Property Surveys	1
392	Aids & adaptations	617
17	Aids & adaptations (Non HRS)	16
89	Cleansing	80
0	Minor Works	0
58	Decoration Grants	68
0	Tenants Compensation	6
64	COVID Charges	0
99	Skip Recharges	143
27	Control Centre Recharge	36
0	Estate Shops	0
137	Other Expenditure	105
<b>8,428</b>		<b>8,983</b>
	<b>Income in year</b>	
(8,326)	Contribution from HRA	(8,909)
0	Contribution to HRA	0
(101)	Repairs Account Income	(74)
0	Contribution from Leaseholders	0
0	Interest Received in year	0
<b>(8,428)</b>		<b>(8,983)</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:

2021/22 £'000		2022/23 £'000
	<b>Capital investment</b>	
15,263	Property, Plant and Equipment – HRA	12,647
1	Property, Plant and equipment – GF used as council housing	0
0	Non-Current Assets held for sale	0
0	Intangible Assets	0
0	Revenue Expenditure funded from Capital under Statute	0
<b>15,264</b>		<b>12,647</b>
	<b>Sources of funding</b>	
(867)	Capital Receipts	(1,917)
(21)	Revenue Contributions	0
(3,842)	Major Repairs Reserve	(7,465)
(4,178)	Prudential Borrowing	(2,770)
(6,356)	Government grants and other contributions	(495)
<b>(15,264)</b>		<b>(12,647)</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 2022/23 (£0.000m in 2021/22).

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 2022/23, there was £2,770m 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:

2021/22 £'000		2022/23 £'000
	Council dwellings	
(3,156)	- Right to Buy	(3,239)
(102)	- Discounts repaid	0
	Other Receipts	
0	- Land Sales reimbursements	0
0	- Reimbursement of expenditure on	0
0	General Fund property on sale	0
	Land receipts	
(3,256)		(3,239)
529	Less Pooled (Paid to Central Government)	0
<b>(2,727)</b>	<b>Total</b>	<b>(3,239)</b>

## Note 8 - Rent Arrears

During the year 2022/23 total rent arrears increased by £40k equal to 1.86%, to £2.165m. A summary of rent arrears and prepayments is shown in the following table:

2021/22 £'000		2022/23 £'000
1,165	Current Tenant Arrears @ 31 March	1,158
960	Former Tenant Arrears @ 31 March	1,007
2,125	<b>Total Rent Arrears</b>	2,165
(242)	Prepayments @ 31 March	(280)
<b>1,883</b>	<b>Net Rent Arrears</b>	<b>1,885</b>

A provision for doubtful debts of £300,400 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 2023 is £2,160,656 (£2,016m at 31 March 2022).

## 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:

2021/22		2022/23
£'000		£'000
	<b>HRA Income &amp; Expenditure Statement</b>	
2,737	Current Service Cost	2,299
0	Past Service Costs	0
766	Net interest expense	504
<b>3,503</b>	<b>Total</b>	<b>2,803</b>
(1,806)	Amount to be met from HRA	(1,927)
<b>1,697</b>	<b>Movement on Pension Reserve</b>	<b>876</b>

# THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

2021/22 £'000 Total		2022/23 £'000 Council Tax	2022/23 £'000 NNDR	2022/23 £'000 Total	Note
<b>INCOME</b>					
(47,853)	Council Tax Payers	(50,192)	0	(50,192)	2
(115)	Income from Ministry of Defence	(124)	0	(124)	
(33,168)	Income from Business Ratepayers	0	(40,286)	(40,286)	3
<b>(81,136)</b>		<b>(50,316)</b>	<b>(40,286)</b>	<b>(90,602)</b>	
<b>EXPENDITURE</b>					
Precepts:					
6,956	- City of Lincoln Council	7,360	0	7,360	
33,248	- Lincolnshire County Council	36,248	0	36,248	
6,491	- Police & Crime Comm. Lincolnshire	6,993	0	6,993	
Business Rates:					
21,641	- Payments to Government	0	19,382	19,382	3
17,164	- Payments to City of Lincoln Council	0	15,501	15,501	3
4,291	- Payments to Lincs County Council	0	3,875	3,875	3
144	- Cost of Collection	0	142	142	
Bad and Doubtful Debts					
342	- Provisions	242	112	354	
385	- Write Offs	149	26	175	
(952)	- Provision for appeals	0	(536)	(536)	
(28,175)	Transfer of Collection Fund Surplus	(37)	(10,110)	(10,147)	4
<b>61,535</b>		<b>50,955</b>	<b>28,392</b>	<b>79,347</b>	
<b>(19,601)</b>	<b>Deficit / (Surplus) for the year</b>	<b>639</b>	<b>(11,894)</b>	<b>(11,255)</b>	
<b>COLLECTION FUND BALANCE</b>					
29,887	Balance brought forward at 1 <sup>st</sup> April	192	10,093	10,285	
(19,601)	Deficit/(Surplus) for the year (as above)	639	(11,894)	(11,255)	
<b>10,286</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>831</b>	<b>(1,801)</b>	<b>(970)</b>	
<b>Allocated to:</b>					
4,066	- City of Lincoln Council	122	(720)	(598)	
1,145	- Lincolnshire County Council	595	(180)	415	
27	- Police & Crime Comm. Lincolnshire	114	0	114	
5,048	- Government	0	(900)	(900)	
<b>10,286</b>		<b>831</b>	<b>(1,801)</b>	<b>(970)</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 2022/23, the City of Lincoln's proportionate share remained consistent with that of 2021/22, as follows:

	<b>2022/23 '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 2022/23 was 25,310.01 (24,372.38 in 2021/22). 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 2022/23 was approved at the Executive on 21<sup>st</sup> February 2022 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	48	42	23
A	6/9	28,070	23,360	15,573
B	7/9	9,053	7,961	6,192
C	8/9	4,893	4,382	3,895
D	9/9	2,539	2,299	2,299
E	11/9	1,384	1,124	1,373
F	13/9	442	366	528
G	15/9	141	135	225
H	18/9	38	12	24
<b>Total</b>		<b>46,608</b>	<b>39,680</b>	<b>30,132</b>
Deduction for Non-Collection				(527)
Crown Properties Adjustment				60
<b>Adjusted to Band D Equivalent</b>				<b>29,665</b>
Council Tax Relief Scheme				(4,400)
<b>Tax Base for the Calculation of Council Tax</b>				<b>25,310</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 2022/23 was £50,192m (£47.853m in 2021/22).

## 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 2022/23, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

	2021/22 'Pool'	2022/23 'Pool'
City of Lincoln	40%	40%
Lincolnshire County Council	10%	10%
Central Government	50%	50%

The business rates shares payable for 2022/23 were estimated before the start of the financial year as **£19.376m** (£21.455m in 2021/22) to Central Government, **£3.875m** (£4.291m in 2021/22) to LCC and **£15.501m** (£17.164m in 2021/22) to the City of Lincoln Council. These sums have been paid in 2022/23 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 2022/23 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 2021/22).

The total income from business rate payers collected in 2022/23 was **£40.286m** (£33.168m in 2021/22).

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 2021/22). 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 2022/23.

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 2023. 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 2022/23 has been calculated at £0.536m (£0.952m was withdrawn in 2021/22).**

For 2022/23, the total non-domestic rateable value at the year-end is **£111.7m** (£111.3m in 2021/22). The national multipliers for 2022/23 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 2021/22).



#### 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 2022 it was estimated that the Collection Fund would have a Council Tax deficit of **£37m** (£1.106m deficit in January 2021) and a Business Rates deficit of **£10.110m** (£27,665m deficit in January 2021), a combined Collection Fund deficit of **£10,147m** (£28.771m deficit in January 2021) and so the following amounts were due to or from the preceptors in 2022/23:

2021/22 £'000		2022/23 £'000
11,232	City of Lincoln Council	4,050
3,558	Lincolnshire County Council	1,038
149	Police & Crime Comm. Lincolnshire	4
13,833	Central Government	5,055
<b>28,772</b>	<b>Total</b>	<b>10,147</b>

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

130  
**S T A T E M E N T   O F   A C C O U N T S**  
**2 0 2 2 / 2 3**

## 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 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) based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016"

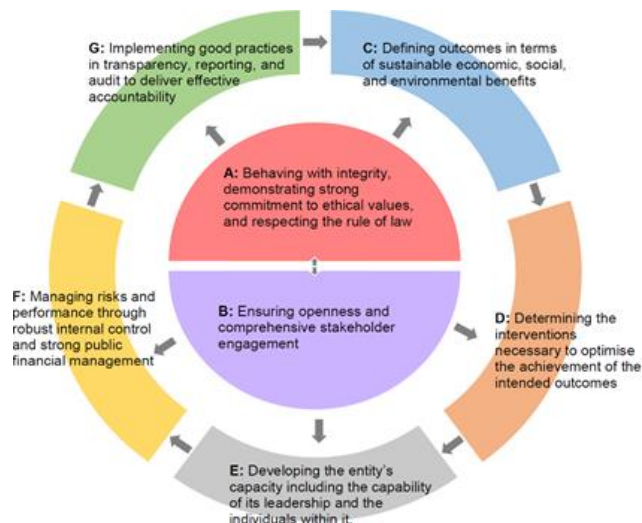
How we are meeting these defined responsibilities is detailed in the City of Lincoln's Code of Corporate Governance, which is available on our website at <https://www.lincoln.gov.uk/policies-publications/financial-policies-publications>.

The Council's Code of Corporate Governance was comprehensively reviewed in 2021, to account for the impact of the Covid-19 pandemic. Further minor changes have since been made, with the Code most recently updated in May 2023.

This Annual Governance Statement details how the City Council has complied with its own Code of Corporate Governance over the past year. The Statement meets all relevant statutory requirements, and continues to incorporate actions taken in response to 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>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>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>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 and provides commentary on how the framework itself has operated over the last 12 months. The first of these sections covers how the Council has continued to maintain good governance as it adapts to longer term impacts from the COVID-19 pandemic. Some of the activities mentioned in this first section are also mentioned under the 'Core Principles' sections that follow.

**1.5 Impact of COVID-19 on maintaining good governance**

The COVID-19 pandemic caused major disruption to the day-to-day work of the Council, and has had a lasting impact on how we continue to deliver services to our residents and local businesses. We have now taken steps to fully embed the enhanced business continuity procedures and renewed governance arrangements initiated during the pandemic, for the benefit of our residents, businesses and visitors.

**Actions taken to address the impact of the COVID-19 pandemic in 2022/23:**

- Reviewed business continuity plans following the Covid-19 pandemic.
- Developed a new IT Disaster Recovery Plan, including coverage of all risks highlighted throughout the pandemic
- Undertaken an initial review of the longer-term effects of Covid-19 within the City (including health) via the Lincoln City Profile.

**Proposed activity for the coming year 2023/24:**

- Undertake a further review of all business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan.

**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 the behaviour of our Members and employees. We have appropriate processes in place to ensure that Members and employees 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 rights of employees. All Council decisions consider legal and equality implications with support from our Legal Services team.

Our Audit Committee includes an independent Member, and provides assurance on the adequacy of our internal control environment by ensuring high standards of conduct are embedded within the Council's culture. The Committee also monitors all governance issues raised, and oversees our internal and external audit arrangements.

**Activity within Principle A in 2022/23:**

- Undertook an annual update of the Code of Corporate Governance
- Reviewed the requirement to update our Members' Code of Conduct, which remains legally compliant
- Ensured we are compliant with the proposed Subsidy Control Bill

- Ensured we are compliant with the Electoral Integrity Bill
- Completed a successful Adults Safeguarding Audit (LAAF)
- Reviewed our Modern Slavery Charter and Statement
- Reviewed proposals contained within the new Planning Bill
- Reviewed our Money Laundering Policy
- Reviewed our Whistleblowing Policy and Guidance

**Proposed activity for the coming year:**

- Undertake scheduled annual update of our Code of Corporate Governance
- Continue to monitor our compliance with the Subsidy Control Act 2022 as projects commence
- Continue to review our compliance with the Elections Act 2022 as the commencement orders come into place
- Review updated CIPFA guidance for Audit Committees, including a review of the Terms of Reference of the Audit Committee to ensure they remain compliant with best practice

## **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 decision making. We expect reports to decision makers to be open, to 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 2022/23:**

- Commenced a review of the Lincoln Citizens' Panel
- Explored more effective forms of stakeholder engagement for budget consultations
- Commenced a review of Consultation and Engagement staff guidance
- Undertook consultations with service users relating to climate change

**Proposed activity for the coming year:**

- Finalise the review of our Consultation and Engagement staff guidance
- Complete a review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City
- Create a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community
- Explore further options for engaging with stakeholders on budget consultations
- Continue to develop more permanent and usable feedback systems for services.

## **1.8 CORE PRINCIPLE C: Defining outcomes 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 current priorities in Vision 2025 are:

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

The next corporate planning cycle to develop our 'Vision 2030' will commence towards the end of the current year.

Since the Covid-19 pandemic, progress has been made towards reinstating the five current Strategic Priority Boards. Meanwhile key strategic projects, including redevelopment of Central market/City Square and commencement of Western Growth Corridor, continue to be monitored through their respective MEGA Boards. All projects are also reported into the Portfolio Holders' annual reporting process.

A full mid-term evidence based review of the Vision 2025 was completed in 2022, and continues to be implemented.

#### **Activity within Principle C in 2022/23:**

- Re-energised implementation of the place strategy for Park Ward/Sincil Bank, highlighted as a priority area for regeneration following the Covid-19 pandemic, through progression of multiple contributing regeneration projects
- Progressed several projects set out in the Vision 2025 three year action plan including Central market/City Square, delivery of new homes at Rookery Lane, progression of our Climate Action Plan, and a range of projects within the High Street Heritage Action Zone
- Undertook promotion of the next phase of the three year Vision 2025 Delivery Plan
- Commenced a feasibility study for a 30-year Housing Business Plan, which will focus on regenerating our housing estates
- Advanced a detailed analysis of 2021 Census data, that will be incorporated into future Lincoln City Profile publications and used to support robust decision making

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

- Further progress implementation of Phases 1a and 1b of Western Growth Corridor
- Progress further the implementation of the place strategy for Park Ward/Sincil Bank
- Finalise our 30-year Housing Business Plan for the period 2023 – 2053
- Complete our detailed analysis of 2021 Census data to support robust, evidence-based decision making

### **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 to ensure delivery of their

intended outcomes. Service plans were completed for 2022/23, and plans for the coming year are currently underway. Work has continued to ensure robust management of the Council's services, and projects continue to utilise 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 our plans. The Council reviews progress against delivering those outcomes through its performance management framework.

**Activity within Principle D in 2022/23:**

- Commenced work on delivering a five year ICT Strategy
- Prepared and audited a new IT Disaster Recovery Plan
- Procured and delivered a replacement online, self service Council Tax and NNDR system
- Progressed improving customers' experience by continuing to move them away from our Customer Contact Centre towards online forms

**Proposed activity for the coming year:**

- Complete delivery of a five year ICT Strategy
- Formally adopt a new IT Disaster Recovery Plan
- Undertake a further review of our business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan.
- Establish micro-sites for key services including Building Control, Visitor services and Lincoln Central Market.
- Identify further high volume interactions with customers in our Customer Contact Centre and move them to online forms where possible to take pressure off contact centre
- Review the Council's Risk Management Strategy and provide refresher training to Members and officers

**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 our objectives. Under our One Council approach, we have in place an organisational development pillar that aims to ensure our workforce has the necessary skills and behaviours to deliver our Vision for the city, and is effectively engaged to champion the Council's corporate priorities. Partnership working extends capacity for key projects to be delivered beyond the Council's own resources and is embedded within our Vision 2025 objectives.

**Activity within Principle E in 2022/23:**

- Commenced a review of the Council's building assets including City Hall, Hamilton House and community centres etc
- Supported the relocation of Citizens' Advice into City Hall, to further strengthen City Hall's identity as a public service hub
- Reviewed our One Council organisational pillar, concluding that we have adapted new ways of working in response to all known issues arising from the Covid-19 pandemic



- Provided leadership development training to all service managers and team leaders

**Proposed activity for the coming year:**

- Continue to build on employee retention and professional training opportunities for our employees
- Review the Council's Our People Strategy
- Continue implementing our Organisational Development Action Plan, including a needs and skills gap analysis

### **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 2022/23:**

- Reviewed our Financial Procedure Rules
- Implemented revised reporting requirements as required by the revised Prudential Code and Treasury Management Code
- Reinstated our monthly Vision priority meetings
- Reviewed our Contaminated Land Inspection Strategy
- Reported a new agreed action plan to ensure compliance with the CIPFA Financial Management Code
- Introduced a revised process for following up actions identified in Internal Audit reports, significantly improving internal controls for monitoring actions and reducing the time taken to address them.

**Proposed activity for the coming year:**

- Review Contract Procedure Rules upon enactment of the Procurement Act
- Undertake a benchmarking exercise to review our treasury management strategy and prudential indicators reporting against best practice
- Introduce quarterly reporting of our treasury management activities
- Fully implement all actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code
- Provide training to all officers with budget responsibility on revised Financial Procedure Rules and continue to develop a business partnering approach to financial management

### **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 also 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:**

- Commenced a review of the Lincoln Performance Management Framework
- Undertook an internal audit of our Performance Management function
- Reviewed a range of control measures associated with the Council's key performance indicators, including renewing control sheets and performance reporting

**Proposed activity for the coming year:**

- Complete a detailed review of the Lincoln Performance Management Framework and how this can best support Vision 2030
- Further develop our internal performance management system

## **2. Review of effectiveness of the governance framework**

We undertook an assessment of the Council's governance framework during 2022/23, by reviewing our Code of Corporate Governance and the review process used to develop the AGS. Included in this review, we assessed how we identify and rate significant issues and other areas that may require monitoring. We also considered how all of the following governance information influenced the effectiveness of our overall governance framework:

- Internal and external audits
- Third party assurances and combined assurance
- Committee reports
- Risk management practices
- Performance management observations and issues
- Management of projects
- Partnership governance
- Financial management
- Feedback from our senior management team and statutory officers.

The Head of Internal Audit is required annually to provide an opinion on the overall effectiveness of the Council's governance, risk and control framework and the extent to which these can be relied upon. In 2022/23 the Council was noted as performing well across three areas (Governance, Risk and Financial Control) and performing adequately against Internal Control. The audit plan was again reduced due to a temporary shortfall in staffing resource. Two posts are currently going through the recruitment process.

Internal audits completed in 2022/23 include:

- Performance management
- Stores
- ICT Programme and Project Management
- Medium Term Financial Strategy
- Housing Benefit Subsidy
- Organisational Development
- Key Controls – General Ledger
- Key Controls – Bank
- Climate Change
- De Wint Court
- Key Controls – Property, Plant and Equipment

Of these internal audits, both Performance Management and Stores were rated as having 'limited assurance'. Significant progress has been made

against the action plan introduced in response to the Performance Management audit findings, with the remaining actions listed in Core Principle G of this AGS. Actions identified from the Stores audit will be monitored on a quarterly basis, with progress reported to the Audit Committee. Of the actions applicable to the areas rated 'limited assurance' none were considered significant enough to highlight as potential AGS significant governance issues.

The following internal audits remain in progress and are at draft report stage:-

- Staff Wellbeing
- IT Disaster Recovery
- IT Asset Management
- Follow-up of audit recommendations

As at April 2023 there were no high priority audit actions which were overdue.

### **3. Introduction of the CIPFA Financial Management Code 2019 (FM Code)**

In December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (the FM Code), providing guidance for good and sustainable financial management in local authorities. The FM Code aims to assist local authorities to demonstrate their financial sustainability through a set of seventeen financial management standards. CIPFA guidance issued in February 2021 requires Annual Governance Statements to now include an overall conclusion of the assessment of the organisation's compliance with these standards. An assessment against the FM Code was most recently undertaken and reported to the Audit Committee in March 2023, confirming an overall substantial level of compliance (65%), with six identified areas for improvement (35%).

It is not expected that there will be full compliance across all standards as continual improvement, routine revisions to policies and procedures, and assessment against best practice necessitate a need for new actions to be implemented following each annual assessment. The Council can be assured that it has achieved this level of substantial and reasonable assurance and that there are no areas of minimum compliance and no significant areas for improvement.

### **4. 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.

### **5. Status of significant governance issues monitored from 2022/23**

The Council has regularly monitored its 2021/22 significant governance issues through senior management and the Audit Committee during 2022/23.

**The Disaster Recovery plan in place for IT arrangements:** Substantial progress has been made over the last twelve months to put this plan in place. The final IT Disaster Recovery Plan is complete and is expected to be adopted in early 2023/24.

**This is therefore no longer considered to be a significant governance issue.**

**6. Significant governance issues identified from 2022/23**

No new significant governance issues have been identified during 2022/23.

**7. Conclusion**

The Council's governance arrangements are under continual review. No significant governance issues have been identified during 2022/23, however the Council will continue to monitor the effectiveness of its governance arrangements to enable the identification of new and emerging issues throughout the coming year.

**Signed**



Cllr R Metcalfe, Leader:

Date: 31/05/2023



Angela Andrews, Chief Executive:

Date: 31/05/2023

**AGS - GLOSSARY OF TERMS USED**

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

## 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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**AUDIT COMMITTEE**

**17 JULY 2023**

**SUBJECT: INTERNAL AUDIT PROGRESS REPORT**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: 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 June.
- 2.2 Eight reports have been issued since the previous Progress Report in March. These include Key Controls – Ledger (High), Key Controls – Bank Reconciliation (High), Key Controls – Property, Plant and Equipment (High), Follow-ups (High), Climate change (Substantial), Organisational Development (Substantial), IT Disaster Recovery (Substantial) and De Wint Court (Substantial).
- 2.3 The service has not been fully staffed since July 2022. Despite going through a number of recruitment processes we have not been successful in appointing to the two vacant posts. We are currently looking at our options going forward. In the interim we are putting in place contracts for the provision of general audit and specialist IT audit support, in addition to maintaining the temporary casual auditor.

**3. Background**

- 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 and Human Rights

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

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

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

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

#### 5. Recommendation

- 5.1 The Audit Committee is asked to review and comment on the content of the latest Internal Audit Progress Report.

Is this a key decision? No

Do the exempt information categories apply? No

Call in and Urgency: **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: [Amanda Stanislawski, Audit Manager  
amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk)





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# Internal Audit Progress Report



**City of Lincoln Council  
June 2023**

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1 Assurance Definitions  
2 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.

# Overview and Purpose

The purpose of this report is to:

- Provide details of audit work from February 2023 to June 2023
- Advise on progress with the Audit Plan
- Raise any other matters that may be relevant to the Audit Committee role

## Staffing

We continue to deliver the Internal Audit service using both internal and external resources. The service is currently being provided through support from Assurance Lincolnshire, purchase of support for IT Audit and a temporary casual auditor.

The service has not been fully staffed since July 2022 and we still hold two vacancies out of a team of three. Despite going through the recruitment process on a number of occasions we have not been successful in recruiting to the posts. We did briefly appoint to the Principal post in February 2023 but the postholder resigned shortly afterwards. This is a national issue with Audit posts in the public sector, along with others, not being easily recruited to. To provide support in the interim we are in the process of putting in place more robust arrangements with an external contractor for general audit work and another for IT Audit.

## Progress & Performance

Most of the audits remaining from the 2022/23 plan have now been completed to at least draft report. There is just one audit still in progress, Housing Repairs. We are currently in the process of scheduling in the 2023/24 plan and have started one audit, Housing Benefit Subsidy. Further details are provided within the following pages and a full breakdown in Appendix 2. There is no additional Benchmarking data to report since the Annual Report was produced.

We have completed the following pieces of work since the previous report (Summaries of these reports are provided in the following pages) :-

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
Key Controls - Ledger	Climate Change	None	None
Key Controls – Bank Reconciliation	Organisational Development		
Key Controls – Property, Plant and Equipment	IT Disaster Recovery		
Follow-ups	De Wint Court		

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.



The following are summaries from the Internal Audit reports issued since the previous report and key recommendations made.

## High Assurance

We are able to give High assurance that the key controls are in place and operating as expected. We found that:

- Access to the Main Accounting System (Agresso) is restricted.
- The Agresso system for posting journals is an automated process that does not require any authorisation; there is a division of duties in that the same officer cannot create and process a journal.
- Journals are completed in full; in built control features ensure that the journals balance and cost codes are valid before they can be processed. A further control has recently been introduced which requires each line to include supporting narrative before the journal can be posted.
- Control account reconciliations are undertaken regularly, independently verified and any discrepancies are promptly resolved.
- There is a regular review of the suspense account

We have identified access to Agresso as an area for improvement.

Recommendations	Priority
1.1 A review is undertaken by Financial Services (suggested bi-annual) to identify any users who no longer require access to Agresso and to ensure that the level of access is proportionate to their role.	Medium
1.2 Human Resource circulate the list of leavers to Financial Services and other system administrators.	Medium
1.3 Work flow routing for the electronic IT access request form is set up to ensure that the same officer cannot authorise both levels	Medium

# High Assurance

## Key Controls – Bank Reconciliation

We are able to give High assurance that the key controls are in place and operating as expected. We found that:

- All income processed is regularly reconciled to ensure that it has been received and is correctly posted into the financial ledger.
- Collection of income by service areas is regularly monitored to ensure that it is banked and posted into the nominal ledger
- Bank reconciliations are undertaken monthly and are up to date
- Suspense accounts are continuously monitored and regularly reviewed
- Online banking access is restricted to appropriate users and authorisation levels for active users are in line with Treasury Management Practices.
- There is an adequate separation of duties for on line banking.

We have not made any formal recommendations.

# High Assurance

## Key Controls – Property, Plant and Equipment

We are able to give High assurance that the key controls are in place and operating as expected. We found that:-

- Capital schemes are approved by Executive. Expenditure against capital programs and asset purchase codes are reviewed by Accountancy at the year end to identify additions or enhancements to existing assets.
- The process for depreciation has been correctly applied and is clearly recorded on the asset register
- There is a process in place for impairment losses and that any reductions in value are identified and recorded on the asset register.
- There is an annual reconciliation between the asset register and Agresso (finance system)
- A joint review of assets between Financial Services & Property Services is undertaken and would identify any variances between the two systems.
- There is a process in place regarding the acquisition and disposal of assets that includes a report to Executive, a valuation and update of the register.

We have made the following recommendation:

Recommendation	Priority
The asset register is password protected and access limited to key staff	Medium

# High Assurance

We are pleased to confirm that there was evidence that all the actions had been satisfactorily implemented – demonstrating a good control environment where management actions are taken to improve systems and processes. **High Assurance** has been given to this area.

Audit	Actions Followed-up	Actions implemented as told
Licensing	2	2
Values and Behaviours	1	1
Western Growth Corridor	1	1
Visitor Information Centre	1	1
Planned Maintenance	2	2
Stores	1	1
Safeguarding	1	1
Performance Management	1	1
<b>Totals</b>	<b>10</b>	<b>10</b>

Follow-ups



# Substantial Assurance

Overall we have given a substantial level of assurance for the Council's response to Climate Change as there are plans in place with progress being reported to various stakeholders. Communication with stakeholders has taken place, and the Council works closely with the Lincoln Climate Commission, further widening the scope of climate related activities and ensuring that the activities undertaken by the Council support the wider plans for the County. In summary we found that:-

- There are a number of documents in place setting out the various aspirations of the Council in respect of climate change and covering the actions proposed.
- Monitoring and reporting is being undertaken against the various action plans which shows that the aspirations are becoming embedded.
- There is a Climate Change Vision Group in place which meets periodically.
- Communication with stakeholders has taken place with surveys being undertaken feeding into the various action plans. Events have also taken place between June and September 2022.

Recommendation	Priority
1.1 A review of the various documents is undertaken to form an overriding strategy which either covers all aspects or refers to the other documents so that all aspirations are covered/referenced in one document. The strategy considers the resources available to ensure that they are sufficient.	Medium
2.1. A table is added to the policy setting out the required review frequency and detailing the reviews undertaken, when and by whom. When a review is undertaken it is entered onto the table as evidence of review.	Medium
2.2. Managers review the requirement to review the policy annually to establish if this frequency is appropriate.	Medium
3.1. The progress update section of the Action Plan is removed from the Strategy itself, with reference being made to its existence and the fact that it will be updated periodically and reported to the Vision group.	Medium
3.2. The Action Plan is improved to include a responsible officer, a timeframe for completion and a specific target for each action.	Medium
4.1 The information on both the Council's and the Lincoln Climate Commission website is kept up to date.	Medium
5.1. The meetings of the Climate Change Vision group are either minuted or a detailed action plan completed.	Medium
5.2. The Terms of Reference for the group are agreed and adopted.	Medium
6.1 Reports are made to Senior Management on a periodic basis to ensure that they are kept aware of progress and are able to feed into any issues.	Medium
7.1 A communications strategy is implemented setting out what the Council is going to do when and by whom.	Medium

# Substantial Assurance

A Substantial level of assurance has been given to reflect that, overall, the Council has a robust People Strategy in place with high levels of engagement with staff evident to inform its progression. The assurance level is further substantiated by the existence of the Organisational Development (OD) Board, set up to oversee all matters relating to workforce planning and to support the delivery of the Council's Vision 2025. In summary we found that:-

- The People Strategy clearly sets out how the Council will develop its working practices, people, and culture and how it will mitigate future challenges faced. The Strategy is aligned to the Council's vision and strategic priorities.
- Actions required to support the Council's priorities, outcomes expected and how achievement would be demonstrated are monitored on an ongoing basis within the OD and Staff Survey Action Plans and submitted periodically to the OD Board for review and comment..
- Regular meetings of the OD Board with a detailed Terms of Reference ensures robust governance arrangements are in place for overseeing workforce matters.
- The Staff Charter 'The Lincoln Way', clearly sets out the values, behaviour and commitment expected from staff to realise the Council's Vision 2025.
- Engagement with the workforce is undertaken at multiple levels. Staff surveys, carried out in 2017 and 2022, ensured staff views are understood and considered.
- Updates on key aspects of the OD and Staff Survey Action plan are included in HR update reports submitted quarterly to the Corporate Management Team.
- Key performance information relating to sickness, staff turnover and vacancies reported quarterly to Performance Scrutiny Committee and Executive.
- Key risks relating to organisational development are identified on the Strategic Risk Register and Chief Executive Directorate Risk Register, together with current controls and mitigating actions.

We have made the following recommendations:-

Recommendation	Priority
1.1 The People Strategy is updated to ensure reference is made to the Council's Vision for 2025 document and Strategic Plan, and also the 2022 Staff Survey. The date of the People Strategy to be amended and a table added enabling version control, ownership, and future reviews to be evidenced.	Medium

# Substantial Assurance

## Organisational Development

Recommendation	Priority
1.2 The updated People Strategy is submitted to the OD Group for formal approval. Submission to the Executive Board and/or Full Council should also be considered.	Medium
2.1 The OD Action Plan is updated to ensure it includes outcomes and potential blockers of success for all actions. Timescales for completion of each action also to be included.	Medium
3.1 To enable the impact of actions taken to address staff concerns to be more effectively measured, and to identify whether there are any new concerns, staff surveys are carried out more regularly i.e. annually.	Medium

# Substantial Assurance

We have provided a substantial level of assurance as the Council has developed a comprehensive IT Disaster Recovery Plan although there were areas where additional information, such as managing a disaster out of hours and carrying out post-disaster lessons learnt exercises, would enhance the plan. We were asked to review the plan before it was finalised so that any recommendations could be taken on board.

## IT Disaster Recovery

Recommendations	Priority
<p>1.1 The IT Disaster Recovery Plan is completed and updated to include areas below:-</p> <ul style="list-style-type: none"> <li>• Emergency and out of hours contact details for key IT management and staff</li> <li>• Inclusion of process to carry post disaster lesson learnt exercises</li> <li>• Inclusion of version control information</li> </ul>	Medium
1.2 Once updated the plan is reviewed, approved by senior management, and communicated to the relevant staff.	Medium
2.1 The Council develops a schedule to carry out disaster recovery testing for critical infrastructure and systems on a periodic basis. Action logs and recovery instructions are developed as part of testing to support future tests and/or live recoveries when required.	Medium
3.1 The Council carries out disaster recovery scenario-based exercises on a periodic basis. Any actions and lessons learnt from the exercises are updated to plans and procedures for future use.	Medium

# Substantial Assurance

Our review gives Substantial Assurance that there are effective procedures in place for the management and operation of De Wint Court Extra Care accommodation. Applications for De Wint Court are made through Lincoln Homefinder. A Local Lettings Policy (LLP) approved by Executive sets further criteria for applicants to meet (local connection and age) as well as setting out how applications will be assessed in terms of housing and support needs, with the aim of ensuring that there is a balance of care needs in the scheme. We found that:

- A comprehensive list of all applications is maintained; details include who nominated to ensure that a 50:50 split of nominations between City of Lincoln Council and Lincolnshire County Council is maintained.
- The De Wint Care Extra Care Panel meet regularly to review applications and award a care need. We found that all the applicants who have been accepted onto the De Wint Court housing register meet the criteria set out in the LLP.
- Weekly rent and service charges for tenancies have been approved and the correct rent debit figure has been input to Universal the Housing I.T rent system.
- Contract and lease agreements for the hire of a carers room and provision of catering services have been signed and are held under seal with Legal. A lease for the hair salon was being negotiated at the time of the audit.
- A risk assessment of the facility and play area were carried out with the assistance of the Health & Safety Team.
- A fire risk assessment was carried out by a contractor prior to occupation.
- Staff roles and responsibilities are set out in job descriptions. The training needs for staff have been identified.

There were 20 recommendations made, a summary of these is provided below:-

Recommendation	Priority
The LLP is amended to include the authority of the Allocations Panel for making direct lets and the decisions are fully documented. The criteria is agreed and documented. (3)	Medium
Process and responsibility for invoicing leases and collecting payments for utility costs are documented. The tenancy booklet is amended to include how utility costs will be charged. (3)	Medium
Processes are put into place to ensure actions from fire risk assessments are implemented, all fire safety checks are documented and audited and training records kept in the manual. Issue logs are fully completed. (4)	High

# Substantial Assurance

De Wint Court

Recommendation	Priority
The additional control measures for the play equipment are put into place and evidence of the checks maintained.(2)	Medium
Liaise with the catering contractor to ensure that the outstanding additional risk areas are completed.	Medium
Review the process for DBS renewals and update guidance. Add in safeguarding agreement to relevant job descriptions. (4)	High
Review and update the training matrix ensuring necessary staff have Responsible Officer Training. Log training on i-trent. (3)	Medium

**Work  
Completed  
/ In  
Progress**

Audits in Progress

- Staff Welbeing – Draft report
- Housing Repairs – Fieldwork
- IT Asset Management – Draft report
- Housing Benefit Subsidy

Other work

- Annual Opinion completed
- NFI – co-ordination.

Amendments to the Audit Plan

The Western Growth corridor audit has been moved fully to 2023/24.

Audit work undertaken for Assurance Lincolnshire

Covering the Principal role for South Kesteven District Council – completed the Combined Assurance work.



# Other matters of interest

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



## Thurrock Council: Best Value Inspection Report

Following the failings at Thurrock Council the Secretary of State appointed Essex County Council as Best Value Inspector to review not only the financial difficulties but also the wider factors such as leadership, culture, governance and the system of checks and balances.

They found that *‘although serious mistakes have been made by individuals, the challenges facing Thurrock stem from a series of self-sustaining, systemic weaknesses which have allowed for repeated failure over many years.’*

Parts 4 and 5 of the report set out the failings within the Governance and the Council's control environment including scrutiny and Internal Audit.

Some of the recommendations made could impact on Councils generally:-

8 – To carry out a review of external audit considering the role they currently play in the assurance framework and make recommendations on how to strengthen the quality of the service and reporting requirements, particularly enabling an early warning mechanism.

9- Strengthening the role of the three statutory officers requiring them to work together. Making legislation to strengthen and clarify the role of the Monitoring Officer and Head of Paid Service.

The full report can be found [here](#).

## Woking Borough Council Issues S114

The Department for levelling Up Housing and Communities (DLUCH) have been in discussions with the Council concerning its financial position since the summer of 2022. The Secretary of State commissioned a non-statutory review of the sustainability of Woking's financial position which led to the issue of the S114 notice in June as it was not able to produce a balanced budget beyond 2024/25. The reason for this is the level of debt, predominantly used to support commercial activities, and the costs of financing it.

The full report can be found [here](#).



# Other matters of interest

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



## Consultation on Internal Audit Standards

The Institute of Internal Auditors (IIA) provides internal audit professionals with guidance in the form of the International Professional Practices Framework (IPPF). Some aspects of the framework are mandatory and others recommended guidance. The mandatory elements of this are adopted by CIPFA within the Public Sector Internal Audit Standards (PSIAS). As stated by the IIA the main changes proposed are:-

- The new Standards incorporate the five mandatory elements of the current framework (Mission of Internal Audit, Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Standards) as well as one of the recommended (nonmandatory) elements, the Implementation Guidance. These will no longer exist as separate entities.
- The proposed Standards are not divided into “attribute” and “performance” categories and do not contain “interpretations” as a separate section of the standard. The “.A” and “.C” implementation standards have been incorporated into the main body of the proposed Standards. The numbering system and order of the Standards has changed completely.
- Guidance will still exist as a recommended element in the new IPPF, which allows for more in-depth attention to internal audit practices and subjects.
- Topical Requirements are under consideration as an addition to the IPPF to enhance the consistency and quality of internal audit services.
- The unique characteristics of the public sector are for the first time highlighted in the proposed standards.

The IIA has recently consulted on the proposed changes being made to the framework and CIPFA, along with other relevant bodies and individuals, has sent their comments through to them [here](#). The IIA expects to release the new standards by the end of 2023 after which time CIPFA will review the implications for the PSIAS. This may lead to changes in the processes which Internal Audit need to adopt to remain compliant.



**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
2022/23 Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3			Fieldwork
2022/23 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			Draft Report
2022/23 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.		Draft Report
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 23	June 23	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 23		
VAT/Tax	Assurance that VAT has been correctly accounted for and claims submitted in-line with HMRC requirements.				
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.	Q2			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Council Tax	There are effective arrangements in place which ensure that council tax due to the Council is correctly identified, calculated, requested and accounted for. Refunds, discounts, exemptions and write-offs are correctly applied.				
Creditors	Assurance that there are effective processes and procedures in place which ensure payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	Q2			
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.				
NNDR	To carry out a review of the key controls to provide assurance that NNDR is accurately charged and promptly collected in accordance with procedures. Refunds, discounts, exemptions and write-offs are correctly applied.	Q4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Treasury Management	To carry out a review of the key controls to provide assurance that separation of duties are maintained, system access is restricted, procedure rules are adhered to and monitoring and reporting undertaken.	Q4			
Contract Management	To review the processes in place for managing contracts throughout the Council.				
Governance Health Check	Health check of COLC against the 7 governance characteristics within the Centre of Governance and Scrutiny's Governance, Risk and Resilience Framework.				
Business Continuity	Review to ensure there is a process and plans in place for all relevant areas. The revised plans take on board lessons learned from the pandemic.	Q4			
Electoral Registration	Review of the maintenance of the electoral register and implementation of new legislation.				
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.				

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
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.				
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.				
Neighbourhood Management and Regeneration	There are structures, processes and plans/strategies in place which ensure that neighbourhood management is effective and achieves its intended outcomes now and in the future.				
Staff Recruitment, Retention and Talent Management	Staff recruitment, selection and retention processes ensure compliance with the relevant legislations, policies and procedures. Processes in place to address the long term vacancies and 'grow' staff.	Q3			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Performance Management Follow Up	To follow-up the implementation of recommendations made in the previous Limited assurance report to ensure they have been completed and the assurance level improved.	Q4			
Housing IT	System Implementation Gateway reviews				
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.				
UK Shared Prosperity	The processes in place for the governance and management of the Fund including the management of the Expressions of Interest for projects.				
Cyber Security	To provide assurance that the key areas of cyber security have been addressed in accordance with the National Cyber Security Centre 10 steps.	Q4			
Digital	To ensure security of on-line services (web-site/forms/applications etc)	Q4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Access Control	To provide assurance over the processes in place for controlling access to systems, network and suppliers remote access control arrangements.				
Combined Assurance	Update of the Combined Assurance Map	Q4			
Audit Strategy & Plan	Audit Strategy & Plan for 2024/25	Q4			

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**AUDIT COMMITTEE**

**17 JULY 2023**

**SUBJECT: INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

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

**1. Purpose of Report**

1.1 To present an update to the Audit Committee on outstanding agreed actions.

**2. Executive Summary**

2.1 The report provides a summary of the outstanding actions and progress made on implementation. There are currently 3 High actions and 20 Medium actions remaining to be implemented. There are no overdue High risk actions or outstanding actions for Limited or Low reports. The attached report provides more details of the splits between those overdue, extended and not due and also the changes made since the last report to the Audit Committee in March including the new actions agreed.

2.2 The Internal Audit Annual report highlighted that there were a high number of actions remaining to be implemented. Most (13) of these had only recently been raised within reports issued since April 2023. A new process was put into place for 2022/23 for the monitoring of outstanding recommendations due to the number outstanding for a long period of time. This has reduced from six to three for those over a year old, those (2) over two years relate to IT system/software changes and it has not been possible to progress them quickly for various reasons.

**3. Background**

3.1 The attached Appendix (A) provides details of the relevant audits, outstanding recommendations / agreed actions and current position.

**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 and Human Rights

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

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

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

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

#### 5. Recommendation

5.1 The Audit Committee is asked to review the attached Appendix and responses.

**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:** Amanda Stanislowski, Audit Manager  
[amanda.stanislowski@lincoln.gov.uk](mailto:amanda.stanislowski@lincoln.gov.uk)

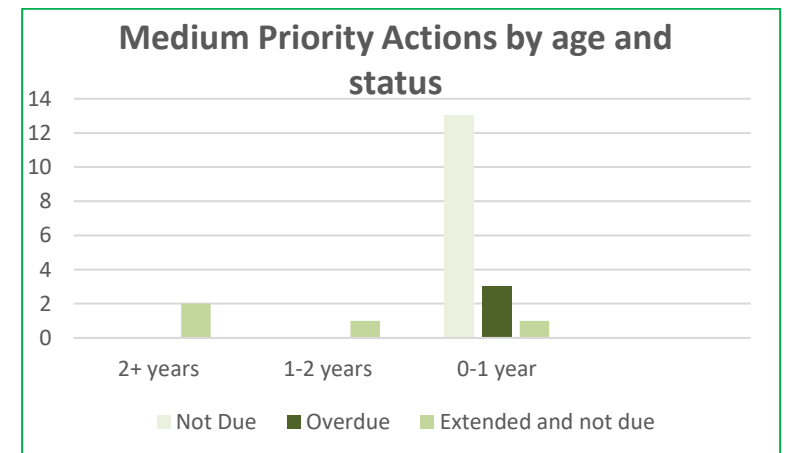
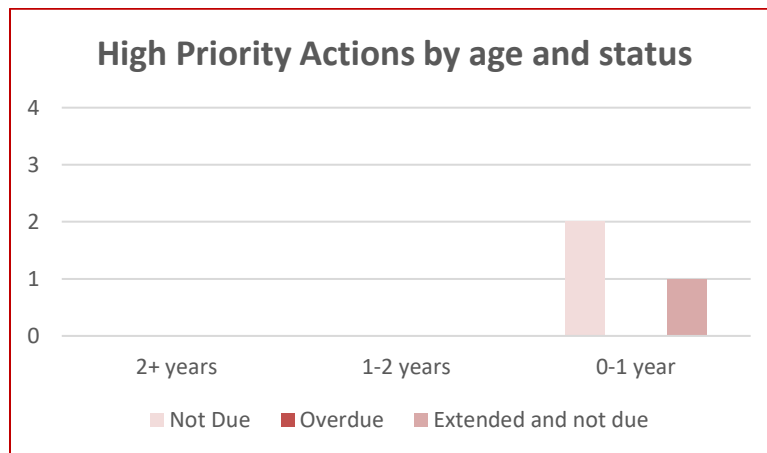
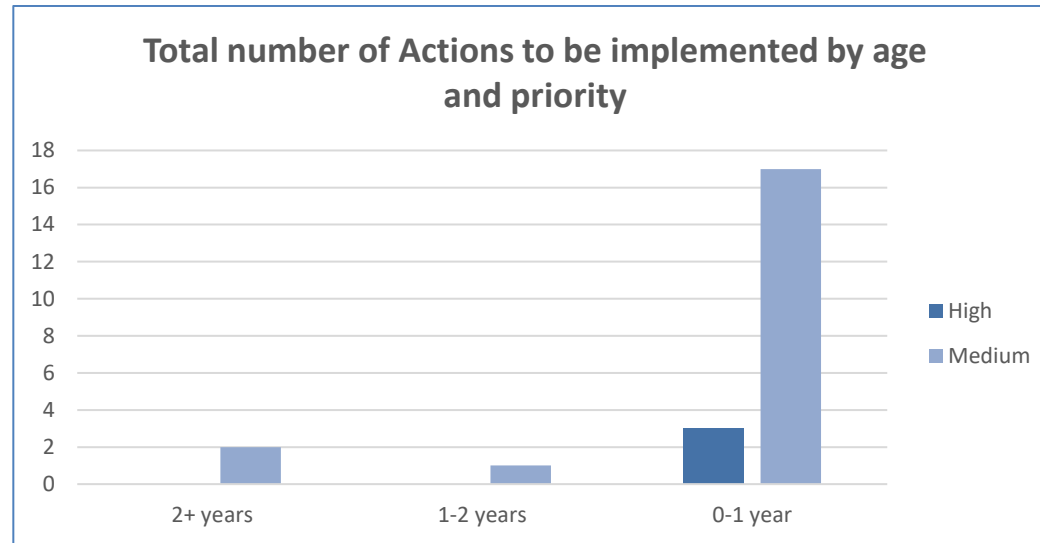
# Audit Recommendations

## June 2023



# Summary of Agreed Actions

We have carried out a review of the actions due by the end of June 2023 and the following graphs summarise the current position of the implementation of all agreed actions in response to the recommendations made:-



## High Priority Actions outstanding

The following table provides the detailed information for the high priority actions which have not yet been implemented and are overdue:-

Audit	Recommendation	Agreed Action	Original Due Date	Current Due Date	Owner	Latest Progress / Comments
There are none.						

## Changes since the previous report

A report on the outstanding recommendations was presented to Committee in February 2023. There have been a number of changes in the implementation of actions outstanding at that time and these are detailed below.

**All recommendations have now been implemented for the following reports:-**

Audit Area	Date	Assurance	Progress
ICT Anti-Malware	Mar 20	Substantial	Action Implemented <b>Review and update the Incident management policy / procedure.</b> Policy has been drafted and reviewed by the IT Auditor. Recommendations will be followed up as part of the Disaster Recovery Audit.
Safeguarding	Jan 22	Substantial	Action Implemented <b>Use the E-CINS IT system to record and track referrals.</b> System and guidance in place and testing has been completed.
Income (key areas)	May 22	Substantial	Actions Implemented <b>Reclaiming VAT that has been incorrectly reported</b> <b>Adjustments to online payments for regularisation applications to identify them as outside the scope for VAT</b> VAT reclaimed and amendments made to the applications.
Visitor Information Centre	Jan 22	Substantial	Actions Implemented <b>Obtain agreement of whether discount scheme to continue</b> Completed as part of the wider review. <b>Develop a Business Plan</b> Business Plan has been developed and agreed.

Progress made on implementing actions for the remaining reports are as follows in date order:-

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
Housing Allocations	Aug 20	Substantial	0	4	3	0	1	0	Updated commentary. <b>Annual review of applications.</b> Regular contact with the software supplier continuing to resolve outstanding issues.
Homelessness	Aug 20	Substantial	0	2	1	0	1	0	Updated commentary. <b>Ensure compliance with document retention &amp; disposal requirements.</b> All documentation is on the new Council wide document management system which is currently being upgraded to include an automated document retention process. This is due to go live in September.
Office 365	May 21	Substantial	0	6	5	0	1	0	No change. <b>Enable, set-up and use DLP policies for Exchange Online and SharePoint Online content.</b> Consultancy has now been completed to set out a framework for change. This will be developed into a plan for migration of data etc. A significant amount of resource will be required for completion. Extended to Jun 2024 – approved.
Performance Management	Aug 22	Limited	3 (7*)	1	2 (1 High)	0	1 (High)	1 (High)	Extension granted for framework. <b>Framework Document</b> – Review of Performance Management Framework – Extended to April 2024 to enable new guidance from the Local Government Association and emerging guidance from Central Government to be considered.

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									<b>PIMS Options and Delivery</b> – actions cover a of review delivery against the brief and additional tools would like. <i>*Seven high recommendations were made but agreed actions covered more than one recommendation resulting in four actions.</i>
ICT Programme and Project Management	Oct 22	Substantial	0	2	1	0	1	0	No change. <b>Project management paperwork to be completed</b> – completed <b>Prioritisation of projects</b> – Will be undertaken. Extension approved to Jul 23.
Stores	Mar 23	Limited	2	8	8	0	0	2	New <b>Actions implemented</b> in respect of quarterly meetings, performance indicators, testing of business continuity plan, stock takes, risk register and fraud. <b>Date flags to be added to the Contract register for upcoming changes.</b> <b>Forward planning and communication for annual stock take.</b>
DeWint Court	Mar 23	Substantial	8	12	17	0	3	0	New <b>Actions implemented</b> in respect of Job descriptions, DBs requirements, assessment of applications, charges, risk assessments and recording training. <b>Amendment to tenancy agreements for utility costs</b> – Full review of all tenancy agreements to be completed which requires



Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									extensive consultation. Extension approved to Sept 25. <b>Responsible Officer guidance manual &amp; Training requirement matrix.</b> – New training co-ordinator is working on training needs for RO's and others. Extension authorised to Sept 23.
Climate Change	Apr 23	Substantial	0	10	8	0	0	2	New Actions implemented in respect of evidencing review of policy, annual review process, reviewing website content, admin support for meetings, reporting to CMT, Terms of Reference for Vision Group and communications strategy. <b>Review Decarbonisation Strategy. Create a monitoring table to support the Action Plan.</b>
Organisational Development	May 23	Substantial	0	4	0	0	0	4	New <b>Updating People Strategy and adding version control. Approval of the People Strategy. Updating the action plan for outcomes, blockers and timescales. Consider frequency of staff surveys.</b>
IT Disaster Recovery	May 23	Substantial	0	3	0	0	0	3	New <b>Plan to be updated for additions and agreed. Develop a testing schedule. Wider desktop test to be undertaken.</b>
Key Controls – General Ledger	May 23	High	0	3	0	0	0	3	New <b>6 monthly check of users.</b>

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									HR to circulate a list of leavers. Update workflow to ensure correct authorisation of users.

# Recommendation/Agreed Action Follow Up protocol

The following sets out the protocol to be followed for the approval of changes to the implementation dates and monitoring of implementation of the agreed actions.

## 1. Internal Audit will:

- 1.1 Record recommendations and actions on the Audit System – Pentana and use this for reporting and monitoring.
- 1.2 Monitor target dates quarterly and obtain updates where the action is due within 1 month.
- 1.3 Discuss extensions to target dates and obtain approval from Directors.
- 1.4 Undertake detailed follow up work on all agreed actions in Limited / Low assurance audits approx. 12mths from the report date or other agreed date.
- 1.5 Provide a report for Directors of all outstanding actions on at least a 6 monthly basis to be added to the next available DMT meeting agenda.
- 1.6 Liaise with Directorates to ensure that they are aware of the actions outstanding and provide reports as required.
- 1.7 Feedback comments from the Audit Committee in respect of the implementation of audit actions.
- 1.8 Carry out spot checks of any completed actions within the last 12 months and obtain evidence to support implementation.

## 2. Audit Committee will:

- 2.1 Receive recommendation update reports at alternating meetings, which provide a summary of progress and detail of High priority recommendations.
- 2.2 Receive verbal updates from service managers where there are outstanding agreed actions 12mths from the report issue date.
- 2.3 Receive a 12mth update on Limited / Low assurance audits.
- 2.4 Receive notification where recommendations are not agreed.

## 3. Directors will:

- 3.1 Consider and approve extensions where the agreed action has not been implemented by the implementation date.
- 3.2 Approve acceptance of risk where recommendations are not agreed.
- 3.3 Include a review of agreed actions on the DMT agenda at least every 6 months.
- 3.4 Ensure Portfolio Holders are made aware of outstanding actions and the reasons for this.

## 4. Assistant Directors, City Solicitor, Chief Finance Officer will:

- 4.1 Approve the closing of agreed actions where the action is no longer relevant / has been superseded.

## Definitions

- *Recommendation* – Action recommended by the Auditor to rectify the weakness/issue identified.
- *Agreed Action* – Action agreed by management to rectify the weakness/issue identified which may differ from the recommendation.

(Approved by Committee 14 June 2022)

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**SUBJECT: EXTERNAL AUDIT PROGRESS REPORT**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER**

**1. Purpose of Report**

- 1.1 To present the External Audit Progress Report to Audit Committee.

**2. Executive Summary**

- 2.1 This report provides Audit Committee with an update on progress in delivering responsibilities of the External Auditors.

**3. Background**

- 3.1 The External Auditor provides periodic update reports to the Audit Committee. Mazars are currently appointed as the Council's External Auditor.

**4. External Audit Progress Report**

- 4.1 The External Audit progress report attached (Appendix A) covers the following areas:
- audit planning update and progress report: and
  - a summary of recent relevant reports and publications for information.
- 4.2 External Audit are unable to be in attendance at the meeting to present the progress report but will subsequently respond to any questions raised on the evening.

**5. Strategic Priorities**

- 5.1 There are no direct implications for the Council's strategic priorities. The external audit of the Council's financial statements and VFM conclusion is a statutory requirement and as such contributes towards the fitness for purpose of the Council's governance arrangements.

**6. Organisational Impacts**

- 6.1 Finance (including whole life costs where applicable)

The Audit fee for 2022/23 is £48,403, set in accordance with the scale fees set by the PSAA. The fee includes work on the VFM conclusion and the audit of the financial statements, in addition the work undertake on property valuations and the net pension liability valuation is now included in the scale fee rather than being issued as a fee variation. Variations are still likely to be incurred for additional testing as a result of new auditing standards and additional working arising from changes in the Code of Audit Practice for VFM reporting, these fee variations will

now be confirmed until later in 2023. The overall audit fee is likely to be in region of the 2021/22 fee.

## 6.2 Legal Implications including Procurement Rules

There are no direct legal implications. The External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

## 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

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

## 7. Risk Implications

- 7.1 There are no specific risk implications arising as a direct result of this report. The annual Audit Strategy Memorandum sets out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements.

## 8. Recommendation

- 8.1 Audit Committee is asked to note the content of the latest External Audit Progress Report.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

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

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

**List of Background Papers:** None

**Lead Officer:** Jaclyn Gibson, Chief Finance Officer  
Telephone (01522) 873258

# Audit Progress Report

City of Lincoln Council

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Audit Committee July 2023



1. Audit Progress
2. National publications

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# 01

## Section 01: **Audit Progress**

# 1. Audit progress

## Purpose of this report

This report provides the July 2023 Audit Committee meeting with an update on progress, since we last reported to the Committee in March 2023 in delivering our responsibilities as your external auditors. It also includes, at Section 2, a summary of recent national reports and publications for your information.

## 2021/22 Audit

### *Financial Statements audit*

At the March 2023 Committee we referred to a national issue regarding the impact on delayed 2021/22 audit opinions of the triennial Pension Fund valuations. This had seen material movements in the estimated 31/3/2022 net liability valuation, largely due to updated membership details. The way forward has been agreed nationally that:

- Councils are to obtain updated IAS19 valuation reports and amend the draft financial statements for the new figures; and
- Pension Fund auditors are to complete testing on the reliability and accuracy of the updated pension fund membership data.

These two work streams are in progress and are expected to be completed, with the audit opinion issued, by the end of August 2023. There are no further matters to raise with Committee at this stage. We will update the Committee and report the final results of our work in our Follow-up Letter which we will issue at the conclusion of the audit.

### *Value for Money arrangements*

We reported our interim findings in our November 2022 report to the Committee and have continued to keep our risk assessment up to date. There have been no significant changes to our assessment of the Council's arrangements and there are no significant weaknesses or risks of significant weaknesses in the Council's arrangements that we need to bring to the Committee's attention. The Council's financial position, including the current year financial difficulties and challenging medium term outlook across the sector, continues to be an area of focus. We will update our assessment on this and the other criteria covered by the value for money commentary and set out our findings and conclusions in the Auditor's Annual Report which we expect to present to the Committee's meeting following the .

### *Assurance work*

We were engaged by the Council to carry out the assurance work required on the Pooling of Housing Capital Receipts Return 2021/22. This work was completed and reported on by the end of May 2023 deadline.

# 1. Audit progress (continued)

## 2022/23 Audit

We reported our 2022/23 audit planning document to the March 2023 Committee. Our planning and interim audits were carried out in February and March 2023, with some top up work scheduled for July 2023.

### *Financial Statements Audit*

There are no significant changes in the scope of the financial statements audit opinion work, the approach, risk profile or timeline set out in our planning document reported to the Committee's March 2023 meeting. The Council published its draft Statement of Accounts at the end of May 2023 and we are currently carrying out early and preparatory work (for example, early testing and sample selection) ahead of the main audit visit in August 2023. We will update the Committee at its next meeting on progress and expected audit opinion.

### *Value for Money arrangements*

We have built on the previous year's work and updated risk assessment, including our views on the latest Budget and Medium Term Financial Strategy. We have not identified any risks of or actual significant weaknesses in the Council's arrangements. We will update the Committee at its next meeting on.

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# 02

## Section 02: **National publications**

# National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
National Audit Office (NAO)		
2	Good practice in annual reporting	The NAO published an interactive guide that provides examples of good practice in annual reporting.
3	Tackling Fraud and Corruption in Government	This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.
4	Digital Transformation	This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems.
Department for Levelling Up, Housing and Communities		
5	Department consultation – public inspection of Category 1 authority accounts 2022/23	The Department for Levelling Up, Housing & Communities (DLUHC) is requesting views on the current deadline for category 1 authorities to make their draft accounts available for public inspection.
6	Levelling up enquiry on Local Audit	The Levelling Up, Housing and Communities Committee has launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings.

# National publications

	Publication/update	Key points
Other		
7	ICAEW Vision for Local Audit	The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).
8	Public Interest Report – Croydon Council	Following the publication of a public interest report in October 2020, Croydon Council commissioned local government expert Richard Penn, through the Local Government Association to compile an independent report on the issues at the council.

# NATIONAL PUBLICATIONS

## Chartered Institute of Public Finance and Accountancy (CIPFA)

### 1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

CIPFA Bulletin 13 – Local Authority Reserves and Balances (March 2023). This provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances. The bulletin largely updates guidance in previous bulletins.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-13-local-authority-reserves-and-balances>

CIPFA Bulletin 14 – Closure of the 2022/23 Financial Statements (March 2023). The annual year-end accounting bulletin provides updates on key issues and includes sections on:

Grant recognition and presentation

Subsequent measurement of property, plant and equipment and investment properties

Other capital accounting issues – capital financing requirement (CFR) and minimum revenue provision

Reporting impacts of inflation and high interest rates – financial statements

Final triennial valuation statements received by pension fund account preparers – 2021/22 issue

Narrative report and recent economic activity

Accounting standards that have been issued but not yet adopted and IFRS 16 Leases mandatory implementation as of 1 April 2024 (and other IFRS 16 issues)

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-closure-of-the-202223-financial-statements>

CIPFA Bulletin 14 – Supplement on The Triennial Valuation and IAS19 Reporting (May 2023). This supplementary guidance covers the impact of the triennial valuation statements received for pension funds on IAS 19 Employee Benefits Reporting. It effects the 2021/22 financial statements.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-supplement-the-triennial-valuation-and-ias-19-reporting>

# NATIONAL PUBLICATIONS

## National Audit Office

### 2. Good practice in Annual Reporting – February 2023

The NAO has published an [interactive guide](#) that provides examples of good practice in annual reporting, drawing on examples from the public sector and other organisations shortlisted for the Building Public Trust Awards, which recognise trust and transparency in corporate reporting.

The guide draws on examples of good practice for annual reporting from organisations who are leading the way in this area. These examples are grouped by the sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

It also provides further examples where bodies have made their reports easier to understand with the use of graphics, clear and accessible language and signposting. The list is not definitive, but the NAO hopes it provides ideas for all bodies in both the public and private sector to think about as they plan their annual reporting for 2022-23.



# NATIONAL PUBLICATIONS

## National Audit Office

### 3. Tackling Fraud and Corruption against Government – March 2023

Since the start of the COVID-19 pandemic, government has recorded a higher level of fraud in the accounts we audit. This reflects the nature of the government's response to the pandemic, including the rapid implementation of large new spending and loan programmes that came with an unusually high risk of fraud.

This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.

The report follows NAO previous work which found government did not have a good understanding of fraud before the pandemic. In NAO's 2016 Fraud landscape review, they found a large disparity between the level of fraud and error that the UK government reports and the level reported in other countries and the private sector. NAO also found there were few incentives for departments to record and report the true scale of potential fraud; a lack of data or metrics to evaluate performance in detecting and preventing fraud; and mixed capability across departments to tackle fraud.

The report can be found at the following link:

<https://www.nao.org.uk/reports/tackling-fraud-and-corruption-against-government/>

### 4. Digital Transformation in Government – Addressing the Barriers - March 2023

This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems. NAO focus on the approach to transforming government, how the Central Digital and Data Office, its Roadmap and departmental leaders will support and promote this, and whether senior business leaders across government have a suitable level of digital capability.

The report can be found at the following link:

<https://www.nao.org.uk/reports/digital-transformation-in-government-addressing-the-barriers/>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 5. Department Consultation on public inspection of Category 1 authority accounts 2022/23 – February 2023

In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements about when accounts must be made available for public inspection for the 2020/21 and 2021/22 accounts, and provided that the period for the exercise of public rights needed to commence on or before the first working day in August in the following financial year.

For 2022/23, the statutory requirement for category 1 authorities is to make accounts available for public inspection for a period that includes the first 10 working days of June, effectively requiring them to be published by 31 May at the latest.

The Government is minded for this deadline to remain in place, but is interested in hearing stakeholders views via a short consultation.

<https://consult.levellingup.gov.uk/redmond-response-team/request-for-views-draft-accounts-deadline/>

### 6. Levelling Up Committee launches inquiry on local audit – March 2023

The Levelling Up, Housing and Communities Committee has launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings.

The inquiry will scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority.

The inquiry is also likely to explore how local authority financial reporting could be made more accessible, the role of local audits in acting as ‘red flag’ for action by councils to address financial issues, and how auditors in local government could work together to share best practice.

The Committee welcomes written evidence on the terms of reference, which fall under the following headings:

- Users and uses of local authority accounts and audit
- Understandability and accessibility of local authority accounts and audit
- Making local authority accounts meet the needs of users better
- Addressing findings in audits and sharing best practice

<https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/news/186485/levelling-up-committee-launches-inquiry-on-local-audit/>

# NATIONAL PUBLICATIONS

## ICAEW

### 7. ICAEW Publishes its Vision for Local Audit – March 2023

The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).

The ICAEW welcomes the MoU, which covers the role of the 'shadow' system leader for local audit pending the establishment of the Audit, Reporting and Governance Authority (ARGA). The ICAEW also believes more needs to be done urgently if the local financial reporting and audit crisis is to be resolved.

The ICAEW's vision for local audit is designed to prompt discussion, identifying a series of challenges the ICAEW believes need to be overcome, and actions it supports to address those challenges. These are grouped into the following areas:

- Improve financial reporting to enhance transparency and accountability
- Deliver high-quality local audits on a timely basis
- Strengthen financial management and governance
- Reform finances to ensure value for money and protect the public interest
- Build a thriving profession that is highly valued

<https://www.icaew.com/insights/viewpoints-on-the-news/2023/mar-2023/ICAEW-publishes-its-vision-for-local-audit>

# NATIONAL PUBLICATIONS

## Public Interest Report

### 8. Croydon Council Public Interest Report – February 2023

Following the publication of a public interest report in October 2020, Croydon Council commissioned local government expert Richard Penn, through the Local Government Association to compile an independent report on the issues at the council. His report, completed in March 2021, but only just published in February 2023 found that the dysfunctional leadership and poor governance arrangements contributed to the authority's financial collapse.

Fairfield Hall is an arts, entertainment and conference centre situated in Croydon. Refurbishment of this building was agreed by Croydon Council and work was undertaken between June 2016 and September 2019. It was delivered late and cost substantially more than the original £30m budget agreed by cabinet. Originally a Value for Money review, this became a Report in the Public Interest by their Internal Auditors Grant Thornton which highlighted failings of financial control and governance of this project.

The report found that the ‘governance gaps’ at the time ‘prevented scrutiny and challenge that may have allowed corrective action to have been taken.’ The report found that the statutory officers and chief officers throughout the time of the refurbishment failed to fulfil their statutory duties. All have since left the council. An action plan will be put in place to address the recommendations arising from this report.

This has led the Council putting in place new measures to address the findings. The Council has overhauled and strengthened its financial, legal, decision-making and other governance processes, and through its Croydon Renewal Plan is creating a new culture of good decision-making, transparency, accountability, and value for money.

It also led the council to undertake an external independent review of its companies and company structures. Following that review, the council’s intention is to wind down its development company Brick by Brick once it has completed its outstanding building work. The Fairfield Halls refurbishment contracts were taken back under direct Council control. The full report, which includes a number of lessons that other Councils can learn from, can be seen here:

<https://www.croydon.gov.uk/council-and-elections/budgets-and-spending/reports-and-reviews/report-public-interest-fairfield-halls>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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**AUDIT COMMITTEE****17 JULY 2023****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2023/24****DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK****REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER****1. Purpose of Report**

- 1.1 To provide details of the Audit Committee work programme for 2023/24.

**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 2022 Edition, as providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 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'.
- 2.3 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.
- 2.4 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reporting to the Committee.

**3. 2023/24 Work Programme**

- 3.1 The proposed work programme for 2023/24 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. Since last reporting to this Committee, the following changes have been made to the work programme (as shown in red/italics in Appendix B):

- **17<sup>th</sup> July/12<sup>th</sup> September Meeting**

- **Deferrals**

- External Audit: Annual Auditors Report 2021/22 – due to a delay in the completion of the 2021/22 audit the Annual Auditors Report cannot yet

be issued. This will be deferred to the next Audit Committee in September 2023.

- **12<sup>th</sup> September/12<sup>th</sup> December/21<sup>st</sup> March Meetings**

- **Removals**

- Annual Governance Statement Monitoring – as there were no significant governance issues identified in the 2022/23 AGS there will be no monitoring report required to be reported to the Committee.

3.2 A copy of the Audit Committee's Terms of Reference is attached at Annex 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 2023/24 the following training is scheduled/has been provided:

- 6<sup>th</sup> June 2023 – Local Government Financial Statements - Provided
- 17<sup>th</sup> July 2023 – Audit Committee Effectiveness – Scheduled ahead of this meeting
- 16<sup>th</sup> August 2023 – Risk Management (All Members)
- 30<sup>th</sup> January 2024 – Treasury 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 the updated work programme for 2023/24.

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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## **Audit Committee terms of reference (Constitution)**

### **9.1 Audit Committee**

The Council will appoint an Audit Committee.

### **9.2 Composition**

Audit Committee

- (a) The Audit Committee will comprise of seven Councillors and 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.
- (g) 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 2023/24**

Meeting dates	Audit Items – Revised Agenda	Training
6 <sup>th</sup> June 2023	<ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Fraud &amp; Error Report</li> <li>• Information Governance Update</li> <li>• Annual Governance Statement (Draft)</li> <li>• External Audit – Progress Report</li> <li>• Audit Committee Work Programme</li> </ul>	Local Government Financial Statements
17 <sup>th</sup> July 2023	<ul style="list-style-type: none"> <li>• Statement of Accounts (Draft)</li> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Risk Management Annual Update</li> <li>• <del>External Audit – Annual Auditor's Report 2021/22</del></li> <li>• External Audit – Progress Report</li> </ul>	Audit Committee Effectiveness
12 <sup>th</sup> Sept 2023	<ul style="list-style-type: none"> <li>• Assessment of Going Concern Status</li> <li>• Statement of Accounts (including Annual Governance Statement) (Final)</li> <li>• External Audit – Audit Completion report (22/23)</li> <li>• <del>External Audit – Annual Auditor's Report 2021/22</del></li> <li>• <del>Annual Governance Statement Monitoring</del></li> <li>• Annual Complaints Report</li> <li>• Internal Audit Revised Audit Plan</li> </ul>	
25 <sup>th</sup> Sept 2023	To be cancelled, was scheduled pending confirmation of the date for the completion of the unaudited Statement of Accounts.	
12 <sup>th</sup> Dec 2023	<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> </ul>	

## APPENDIX B

	<ul style="list-style-type: none"> <li>• Review of Effectiveness of Internal Audit</li> <li>• Review of Effectiveness of Audit Committee</li> <li>• Audit Committee Terms of Reference</li> <li>• Information Governance update</li> <li>• <del>Annual Governance Statement Monitoring</del></li> <li>• External audit – Annual Audit letter (22/23)</li> <li>• Audit Committee Work Programme</li> </ul>	
31 <sup>st</sup> Jan 24	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Treasury management Policy and Strategy</li> <li>• Anti Bribery Policy</li> <li>• Counter Fraud Policy/Strategy</li> <li>• External Audit – Audit Strategy Memorandum (23/24)</li> <li>• Audit Committee Work Programme</li> </ul>	Treasury Management
21 <sup>st</sup> Mar 24	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Internal Audit Strategy and Plan 22/23</li> <li>• Statement on Accounting Policies</li> <li>• IAS19 – Assumptions</li> <li>• External Audit Inquiries</li> <li>• <del>Annual Governance Statement Monitoring</del></li> <li>• Partnership Governance</li> <li>• CIPFA Financial Management Code</li> <li>• Audit Committee Work Programme</li> </ul>	
Date to be agreed		Counter Fraud Training

*A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.*

**SUBJECT: RISK MANAGEMENT – ANNUAL UPDATE**

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

**LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER**

## **1. Purpose of Report**

- 1.1 This report details the risk management framework adopted by the Council and the risk management activity during the last 12 months.

## **2. Executive Summary**

- 2.1 The Council's Risk Management Strategy is presented for Members information. The Strategy is based on a risk appetite methodology approach to the management of the Council's risks that reflect the environment in which it operates.
- 2.2 As was previously reported to this Committee, as a result of the Covid19 pandemic, and the subsequent need to prioritise resources, some actions due in 2021/22 were postponed until 2022/23, these being;
- A review of the Risk Management Strategy and Framework
  - Communication and training on the Risk Management Framework
  - Benchmarking activity with other Lincolnshire Districts

Work in these key areas has now either been actioned during 2022/23 or is scheduled for 2023/24.

- 2.3 A key element of the Council's management of its risks is the development and monitoring of the key strategic risks, those which could affect the Council's ability to achieve its priorities during the year. The Council's Strategic Risk Register currently identifies 13 strategic risks and is reported to both the Council's Executive and Performance Scrutiny on a quarterly basis.

## **3. Background**

- 3.1 Risk management is about controlling, transferring and living with risks so the focus is on becoming risk aware, not risk averse. This puts the Council in an informed position to make the right decisions and enable us to manage risk.
- 3.2 Specific elements of Risk Management are outsourced to Lincolnshire County Council's (LCC) Assurance Lincolnshire service in order to provide the level of expertise that we require. This includes support in the development of risk management strategies and approaches along with access to the County Council's resources i.e. training, provision of documentation, toolkits. The development and monitoring of the Council's strategic, operational and project risk registers however remains a role that is undertaken by the Council through the Corporate Management Team and Directorate Management Teams.

- 3.3 As part of the reporting protocol within the current Risk Management Strategy both the Executive and Performance Scrutiny Committee receive reports on the Strategic Risk Register to consider the status and movement of all strategic risks at that particular point in time.

#### 4. Risk Management Strategy

- 4.1 As a result of the impact of the Covid19 pandemic on capacity and priorities, the scheduled 3-yearly review of the Council's Risk Management Strategy did not take place as planned in 2021. This review has now been undertaken with the latest Strategy attached at Appendix A. There were no significant amendments made to the Strategy, there were a number of minor updates to ensure it reflected Vision 2025 and best practice guidance. The changes made to the Strategy are as highlighted in the appendix.
- 4.2 The Strategy seeks to achieve a number of objectives included setting the "tone from the top" in terms of the Council's "Risk appetite", this can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or the total impact of risk an organisation is prepared to accept in its pursuit of its strategic objectives. Defining the Council's risk appetite provides the strategic guidance necessary for decision making. As part of the review of the Risk Management Strategy, the Council's risk appetite was also considered to ensure it remained relevant to the environment in which the Council now operates. This review concluded that the Council's risk appetite remains as "creative and aware", with the following statement:

*"The Council wishes to be **creative** and open to considering all potential delivery options with well measured risk taking whilst being **aware** of the impacts of its key decisions. The Council is prepared to 'take leaps of faith' on this basis, with an acceptance that it might not always work out as planned. As an authority it is prepared to take calculated risks to achieve its vision and strategic priorities".*

- 4.3 All Members, senior officers and officers with risk management roles and responsibilities have been provided with training and guidance on the 'risk appetite' approach. For officers this is supplemented by a Risk Management Toolkit which sits alongside the Strategy as a practical guide for officers undertaking their risk management responsibilities.

#### 5. Formulation of the Strategic Risk Register

- 5.1 The Council's Strategic Risk Register is developed under the risk appetite methodology.
- 5.2 The Strategic Risk Register for 2022/23 was initially formulated by the Corporate Leadership Team and presented to the Executive and Performance Scrutiny Committee. This initial Register contained 12 risks, as follows:
- 1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against the Council's Vision 2025
  - 2) Failure to deliver a sustainable Medium-Term Financial Strategy (that supports delivery of Vision 2025).

- 3) Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council.
- 4) Failure to ensure compliance with statutory duties/functions and appropriate governance arrangements are in place.
- 5) Failure to protect the local authority's vision 2025 due to changing structures and relationships in local government and impact on size, scale and scope of the Council.
- 6) Unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the council's Vision 2020/2025 and the transformational journey to one Council approach.
- 7) Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council (in the context of the cost of living crisis impact on households and businesses within the City).
- 8) Decline in the economic prosperity within the City Centre.
- 9) Failure to deliver key strategic projects.
- 10) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money
- 11) Failure to protect the vulnerable in respect of the Council's PREVENT duties and compliance with safeguarding legislation and procedures
- 12) Failure to mitigate against the risk of a successful cyber-attack against the council with significant / critical impact

This has subsequently been reviewed and reported to both Committees on a quarterly basis, to consider the status and movement of the strategic risks at that particular point in time. This regular review has resulted in the identification of a new emerging risk as follows:

- 13) Impacts of the Government's migration policy on the Council's service delivery, capacity and MTFS as well as the impacts for the City as a whole

A copy of the latest Strategic Risk Register is attached at Appendix B (Part B item only).

5.3 Each risk is scored based on likelihood and impact to allow prioritisation of the risks as High (Red), Medium (Amber), or Low (Green) with their ownership.

5.4 The status of the 13 strategic risks currently identified is as follows:

<b>No:</b>	<b>Risk Rating</b>	<b>Likelihood</b>	<b>Impact</b>
1	Amber/Medium	Possible	Minor
2	Red/High	Almost Certain	Critical
3	Red/High	Almost Certain	Major
4	Amber/Medium	Possible	Major
5	Red/High	Probable	Critical

6	Amber/Medium	Possible	Major
7	Red/High	Almost Certain	Major
8	Red/High	Almost Certain	Critical
9	Amber/Medium	Probable	Major
10	Red/Medium	Almost Certain	Critical
12	Red/Medium	Probable	Critical
13	Red/High	Almost Certain	Major

5.5 The application of risk appetite to each of the risks has also been undertaken, this determines the level and nature of controls that are either in place or need to be implemented. This ensures that the controls in place are proportionate to the risk itself and the Council's appetite for risk within that area.

5.6 As the Strategic Risk Register is a live document it is subject to continuous review and any risks identified i.e. from Directorates may receive consideration for inclusion accordingly.

## **6. Formulation of the Directorate (Operational) Risk Registers**

6.1 Each Directorate identify the key risks within their service areas resulting in the formulation of a Directorate Risk Register. These registers contain those risks that are mainly of an operational nature and may only concern one particular directorate or department.

6.2 Regular review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.

6.3 Assurance has been given by Directorates that the Risk Registers and mitigation/actions plans have been reviewed at their Directorate Management Team meetings and are up to date.

6.4 In addition to the Directorate Risk Registers individual projects and new policies, either of a service or strategic nature are required to develop and monitor a project risk register. These registers are overseen by the relevant operational boards, e.g., Central Market/Housing IT/Ground, Street Cleansing & Waste procurement.

## **7. Training**

7.1 Risk Management training is made available to the City of Lincoln Council via Lincolnshire County Council. Training was provided in June 2023 for the Services Managers Team, this focussed on key elements of the Risk Management Toolkit and the development and monitoring of risk registers. Training was also provided to the Corporate Leadership Team in June 2023, focussing on the Strategic Risk Register and controls/mitigations. An all Member training session is scheduled for August 2023.

## **7.2 Greater Lincolnshire Risk Management Group (GLRMG)**

The Principal Risk Officer from Lincolnshire County Council (LCC) has been representing the Council at GLRMG and provides updates back to the Council of the activity undertaken. Reflecting the reduction of dedicated risk management resources

with the local authorities and a move to joint support through LCC and embedment of working practices into the day to day work of all officers, meetings occur on a 6 monthly basis. The purpose of such a meeting being to share best practice, co-ordinate approaches and maximise the use of resources. The main focus of the meetings has been:

- Reporting structures and governance around risk management
- Share updated risk registers and comparison of risks/mitigations
- Fraud and co-ordination of those risks

Towards the end of 2022/23, the Principal Risk Management Officer at LCC has reviewed their commitment to the group and the group now meets on a “as and when basis” and found that engaging with nearest neighbours across a wider area would be more beneficial and are now part of the East Midlands Risk Management Group and with this in mind we will be engaging with this group from 2023/24.

## **8. Risk Management Benchmarking**

8.1 The Greater Lincolnshire Risk Management Group (GLRMG), which includes the Lincolnshire District Councils, has historically conducted their own regular benchmarking exercises. This has been a much simpler way of benchmarking and enables the sharing of best practice without being too onerous. This has however not been undertaken since the Covid19 pandemic, due to capacity across all group members.

8.2 The assessment is based on a maturity level on a scale of 1-5, where level 5 is the highest level of maturity. The assessment is based upon the principals of best practice in risk management as recognised by;

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The institute of Risk management, and
- ALARM, the Public Risk Management Association

8.3 As a reminder, the last benchmarking exercise, resulted in the following assessments across a range of areas, as follows:

- Leadership and Management – level 4
- Strategy and Policy – level 4
- People – level 4
- Partnerships, Shared Risk and Resources – level 3
- Processes – level 4
- Risk Handling and Assurance – level 3
- Outcomes and Delivery – level 4

8.4 As detailed above the next benchmarking exercise will be undertaken with East Midlands Risk Management Group, this is proposed to be undertaken in quarter 3 of 2023/24. This will widen the Council’s exposure to other local authorities in the region in sharing best practice and risk management activity with a wider audience.

## **9. Internal Audit**

- 9.1 The last internal audit of the Council's risk management arrangements was undertaken in 2021/22, with an overall assurance level opinion of substantial. Internal audits are usually conducted every two years. The scope of the audit included:
- To determine how all aspects of the risk management framework is operating (implementation of the corporate Strategy and Framework at strategic and operational levels, and in other areas of the business including programmes, projects and financial planning etc)/
- 9.2 There was one improvement required in relation to how some aspects of operational risk management currently operate in ensuring that all risk registers are reviewed regularly with robust processes in place. It is appreciated that during this time there were projects that were put on hold and resources were significantly redeployed elsewhere. The monitoring and reviews have been reinstated on a quarterly basis following the pandemic.
- 9.3 There are no internal audits of the risk management framework or activity scheduled for 2023/24.

## **10. Work Programme for 2023/24**

- 10.1 A work programme for risk management activity is now in place for 2023/24 which includes the following activity:

### *Quarter 1*

Refresh and update of the Risk Strategy to incorporate categorisation of controls (update as set out in paragraph 4)

Refresh and update of E-learning on the Hub

Training for Service Managers and project managers and Corporate Leadership Team (update in paragraph 7)

### *Quarter 2*

Training for Members

### *Quarter 3*

Benchmarking with East Midlands Risk Management Group

Monitoring and reporting into Performance Scrutiny and Executive committee will continue to be undertaken quarterly and annually to Audit Committee.

## **11. Strategic Priorities**

- 11.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Strategic Plan/Vision 2025, and that it does so in accordance with statutory requirements.



## **12. Organisational Impacts**

- 12.1 Finance – There are no direct financial implications arising as a result of this report. The Council's Strategic Risk Register contains two specific risks in relation to the Medium Term Financial Strategy and the Towards Financial Sustainability Programme.
- 12.2 Legal Implications including Procurement Rules – The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, such as provided in this report, is part of the way in which the Council fulfils this duty.
- 12.3 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.

## **13. Risk Implications**

- 13.1 This report relates to overall risk management, the Audit Committee should know about the most significant risks facing the Council and be assured that the risk management framework is operating effectively.

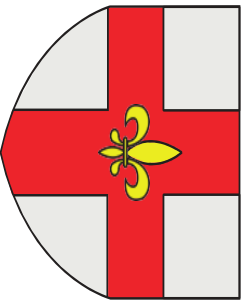
## **14. Recommendation**

- 14.1 Members consider and comment upon the Risk Management Framework adopted by the Council and also the Risk Management activity undertaken during 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 Appendix B is Part B only
List of Background Papers:	N/A
Lead Officer:	Jaclyn Gibson, Chief Finance Officer <a href="mailto:Jaclyn.gibson@lincoln.gov.uk">Jaclyn.gibson@lincoln.gov.uk</a>

# Our Strategy

## RISK MANAGEMENT



CITY OF  
*Lincoln*  
COUNCIL



# Introduction

1.

The Risk Management Strategy recognises that the next few years will continue to present challenges for the Council in delivering its services and its **Vision 2025** priorities, with the need to identify and manage risks being even more crucial. As the funding outlook for local authorities remains volatile and uncertain and as the cost of service delivery and service demands escalate, the Council will continue to be forced to have more of an appetite for risk. Effective management of risk is therefore essential in ensuring that the Council is prepared for the challenges ahead and taking a 'well measured' risk approach.

Effective risk management is also a key element of corporate governance and is recognised as such in the Accounts and Audit Regulations 2015 (through the Annual Governance Statement).

## Aim

2..

The aim of this strategy is to provide a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of the **Vision 2025**.

It supports the Council's **Vision 2025 of 'Together, let's deliver Lincoln's ambitious future and the strategic priorities of:**

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

It seeks to encourage well measured risk taking where it is likely to support the Council in delivering transformed services required within the dynamically changing environment of local government.

# OBJECTIVES

## 3. Objectives

This Risk Management Strategy seeks to achieve a number of specific objectives:

- To ensure that there is a strategic approach to risk management to make better informed decisions which is vital to successful transformational change.
- To set a 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our 'Risk Appetite' and acknowledging that how we 'think about risk' will be different depending on the context of corporate impact and sensitivity.
- To acknowledge that even with good risk management and our best endeavours –things will go wrong. Where this happens we use the lessons learnt to try and prevent it from happening again.
- To develop leadership capacity and skills in having a clear understanding of the risks facing the Council in delivering our services and transformational change and how we manage these risks. Risk management should be integral to how we run Council business/services.
- To support a culture of well measured risk taking throughout the Councils business, including strategic, change and operational.
- To ensure that our approach to risk management is proportionate to the decision being made.
- To ensure that we have effective monitoring and Corporate Management/Executive intelligence on the key risks facing the Council.
- To ensure that we have good practice tools to support management of risks in place, which are applied consistently throughout the Council

# Policy Framework

4.

In order to achieve the strategy objectives the following policy and principles underpin the Council's risk management arrangements;

- Risk management will be embedded into business critical processes ensuring that risks are considered as part of the formulation of Council plans (service / strategic / financial), projects, policies and performance.
- A simple risk management process will be in place which;
  - identifies, understands, and manages key risks affecting the Council, at both corporate/strategic and operational levels
  - sets risk ownership and accountabilities
  - considers risks for likelihood and impact
  - identifies mitigating controls with clear allocation of responsibility - thinking about the level of risk, appetite for risk, reward, impact and cost of control measures (responding in a balanced way).
  - includes risks relating to strategic partnerships
  - ensures that processes include risk monitoring
  - provides regular review and reporting of risks, ensures there is an escalation process in place
- Key responsibilities, for officers, members, and committee including reporting structures will be clearly set out.
- A senior officer (Jaclyn Gibson, Chief Finance Officer) and member champion (Councillor Ric Metcalfe, Leader) have been identified who will take overall responsibility for risk management.
- Processes are cascaded effectively to officers and members, using adequate mentoring facilitation and training.
- Processes will be in place to consider and disseminate risk management best practice.



# Strategy

5.

The Council's Risk Appetite statement is **Creative & Aware**:

*"The Council wishes to be **creative** and open to considering all potential delivery options with well measured risk taking whilst being **aware** of the impacts of its key decisions. The Council is prepared to 'take leaps of faith' on this basis, with an acceptance that it might not always work out as planned. As an authority it is prepared to take calculated risks to achieve its vision and strategic priorities".*

This means that the Council's risk and assurance systems need to be working well so to create an environment of 'no surprises'.

Whilst working within this overall context – 'tone from the top' – it is acknowledged that the risk appetite will vary depending on the nature of the service. For example the Council's appetite for risk taking on Health & Safety is more cautious.

The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business – as shown below:

## Strategic

Future direction of the business

## Change

Turning strategy into action including Programme, Project and Management of Change

## Operational

Day-to-day operations including people, customers, processes, information security, finance, business continuity etc.

A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the **Vision 2025** and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.

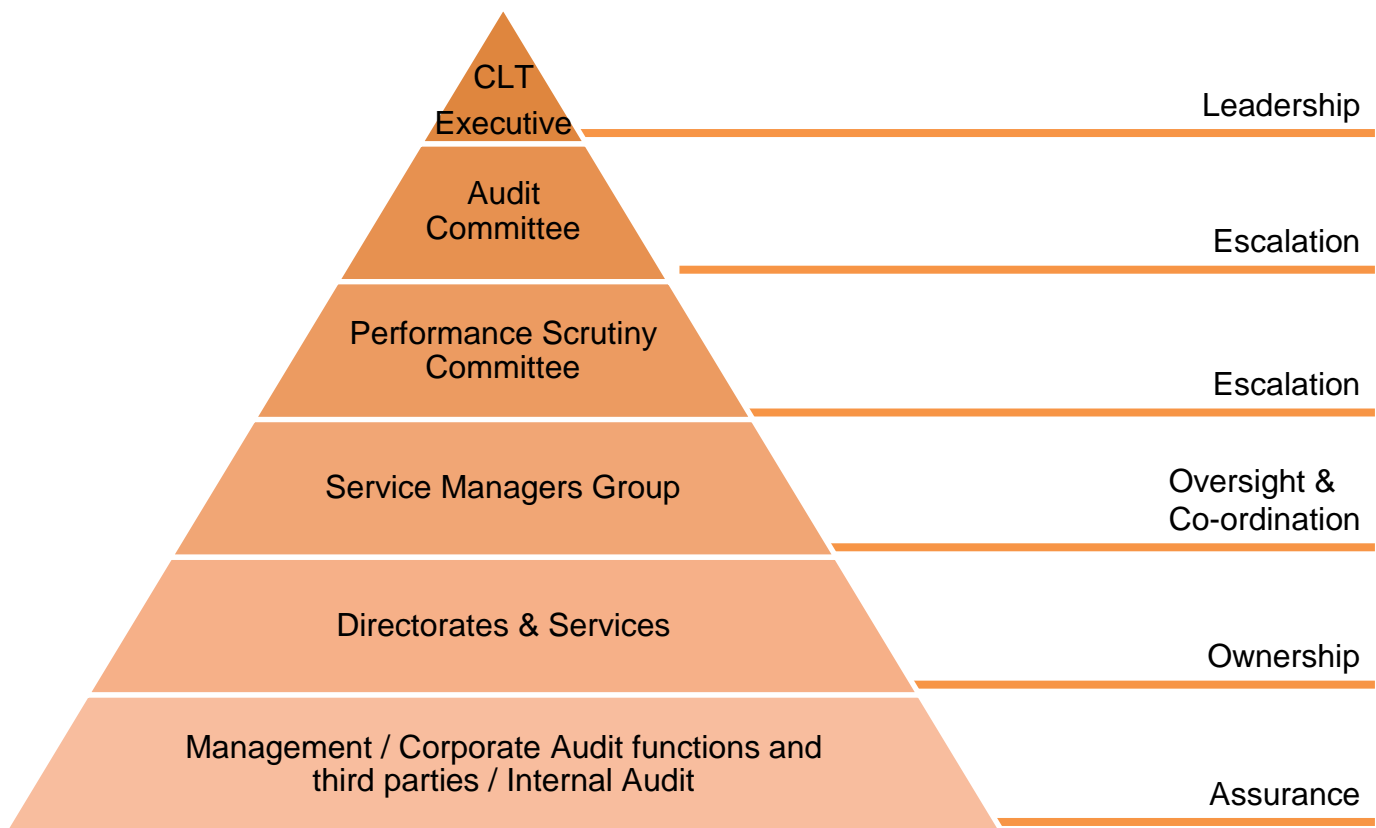
All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training has been provided to officers and members with risk management responsibilities with general awareness training provided for other officers and members. Specific Risk Management Guidance which sets out the Council's requirements and processes and gives people the tools to help them identify and manage risks effectively is also available for officers.

# Roles and Responsibilities

6.

The Roles and Responsibilities for risk management are as follows:



Within this structure, each party has the following key roles:

**The Executive and Corporate Leadership Team**, on the top of the pyramid, has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the ‘risk appetite’.

**The Audit Committee** is responsible for overseeing the effectiveness of the Council’s risk management arrangements, escalating issues to the Corporate Management Team/Executive.

**The Performance Scrutiny Committee** is responsible for ensuring that the Council’s Strategic Risks are effectively managed, escalating issues to the Executive.

**The Service Managers forum** is responsible for the facilitation and co-ordination of risk management activity across the Council.

**Directorates and Services** are the ‘risk takers’ and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities.



## 6. Continued

As part of the Council's combined assurance model, management, third parties and Internal Audit give assurance on the management of risks and the operational/performance controls.

Whilst effective risk management is integral to how services are run, the Council in conjunction with the Strategic Risk Management Team at Lincolnshire County Council helps support management and promote good practice. The key roles being:

- To co-ordinate and maintain the Council's Strategic Risk Register.
- To develop and co-ordinate the implementation of the Risk Management Strategy.
- Provide guidance on risk management.
- To support Members and Officers to help them identify and manage risks facing the Council.
- Promote good risk management through training and awareness events/publications.
- Measuring/monitoring the successful implementation of the Risk Management Strategy.
- Horizon scanning to support identification of emerging risks.

# Review

## 7.

This Strategy will be reviewed at least every three years and any significant amendments reported to the Council's Executive for approval:.

*Revised:*

*June 2023 (no significant amendments)*



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<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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Document is Restricted

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