

## EXECUTIVE

**Monday, 21 November 2022**

**6.00 pm**

**Committee Rooms 1 and 2,  
City Hall, Beaumont Fee,  
Lincoln, LN1 1DD**

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

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

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## A G E N D A

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### SECTION A

Page(s)

1. Confirmation of Minutes - 17 October 2022 **3 - 10**
2. Declarations of Interest

Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.

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### OUR PEOPLE AND RESOURCES

3. Operational Performance Report Q2 - 2022/23 **11 - 64**
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- 30th September 2022 **101 - 118**
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### ECONOMIC GROWTH

8. Re-Imagining Greyfriars Project **281 - 288**
9. Exclusion of the Press and Public **289 - 290**

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

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

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

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## **SECTION B**

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### **OUR PEOPLE AND RESOURCES**

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|--|------------------------|------------------|
| 10. Strategic Risk Register Quarterly Review | <b>[Exempt Para 3]</b> | <b>291 - 306</b> |
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### **ECONOMIC GROWTH**

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|-------------------------------------|------------------------|------------------|
| 11. Re-Imagining Greyfriars Project | <b>[Exempt Para 3]</b> | <b>307 - 336</b> |
|-------------------------------------|------------------------|------------------|

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

**40. Confirmation of Minutes -3 October 2022**

RESOLVED that the minutes of the meeting held on 3 October 2022 be confirmed and signed by the Leader as a correct record.

**41. Declarations of Interest**

No declarations of interest were received.

**42. Setting the 2022/23 Budget and Medium Term Financial Strategy 2023/24 – 2027/28**

Purpose of Report

To update the Executive on the latest Medium Term Financial Strategy (MTFS) position for the Council, including the challenges in preparing for the 2023/24 and future years budget, setting out the parameters within which the Council would prepare these budgets and confirm the Council's approach to development of the budget and Medium Term Financial Strategy.

The report included an update on the current economic position and developments in national policy, specifically the recent fiscal statement and the implications for public sector and local government spending. This, along with the unavoidable and unprecedented, costs pressures, cost of living crisis and rising demand for Council services, would inform the development of the MTFS. Further details in respect of budget parameters for 2023/24 and future years, planning assumptions, together with budget strategic and service planning preparation was outlined at Appendices A and B of the report.

**Decision**

1. That the significant financial challenges and risks faced by the Council, particularly the unplanned, and unavoidable increasing cost pressures be noted.
2. That the projected budget parameters for 2023/24 and future years and the planning assumptions, as set out in Appendix A of the report, be noted.
3. That the budget, strategic and service planning preparation programme, as set out in Appendix B of the report, be noted.

Alternative Options Considered and Rejected

None.

## Reason for Decision

The Council's Vision 2025 and five strategic priorities drove the medium-term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The Medium Term Financial Strategy provided the framework for the development of annual budgets in line with the aims of the Council's strategy and priorities.

The refreshed Medium Term Financial Strategy would include financial projections for the five-year financial planning period through to 2027/28. It would set out the financial parameters within which the Council was required to work and the recommended approach to addressing the financial challenges the Council faced to develop a balanced, sustainable budget and set at Council Tax for 2023/24.

In March 2022, Council agreed the budget for 2022/23 and Medium Term Financial Strategy 2022-2023; at that point the Council was in a robust financial position with a balanced MTFs, based on delivering a remaining budget gap of £0.750m, in the General Fund by 2024/25.

Much had changed since March 2022, with spiralling inflation, soaring energy prices and nationally agreed pay proposals set to add significant cost pressures to the Council's budgets. These were in the main part caused by national issues, beyond the Council's control, and were impacting all councils. In addition, the current cost of living crisis had the potential to increase demand for the Council's services by those who relied on the safety net provided by local government. These unforeseen and unavoidable pressures had seriously impacted the assumptions that underpinned the MTFs. These new pressures came at a time when the Council was still recovering from the detrimental financial effects of Covid-19 pandemic and after facing a decade of austerity measures.

Furthermore, there still remained uncertainty around the level of funding for local government beyond the current financial year. The Fair Funding Review and Business Rates Retention Policy remained unresolved, whilst plans for the re-set of the Business Rates tax base originally planned for 2020 were also still unknown. Despite a three-year Spending Review announced for 2022/23 to 2024/25 the Local Government Financial Settlement was for only one year. These reforms had the ability to fundamentally alter the course of the MTFs. Providing certainty on these issues would make a significant difference to the Council's financial planning and therefore the services it delivered.

As a result of these factors, the Council, and local government as a whole, was yet again having to update their medium-term financial strategies in a very uncertain environment. The rise in inflation (of over 6%) since the Spending Review had all but wiped out any real terms increase in core spending power. With inflation still yet to peak, with latest forecasts predicting this to reach 11% by October 2022, the impact on the Council's running costs were forecasted to be hugely significant. The LGA had warned that the impact on council services could be extremely challenging with reductions to services due to £3.6bn of inflation and energy price pressures across local government over the next few years.

Against this backdrop of significant uncertainty and volatility, this report set out the current financial planning assumptions that would form the basis of the MTFs refresh. This medium-term financial planning was critical to ensuring that the



Council had an understanding of the likely level of available resources and the potential costs of delivering services, identifying budget shortfalls at the earliest opportunity to ensure appropriate action could be taken in advance.

Based on the current financial planning assumptions it was estimated that the Council would need to make reductions in the annual net cost base of the General Fund of £2.75m. This was a significant target for the Council to achieve, particularly in light of the annual revenue reductions of £10m that had been delivered over the past decade. The Council would ultimately have to make some difficult decisions over the next twelve months as it prioritised which services it could afford to continue to deliver, doing so in the midst of a cost of living crisis.

Now more than ever, careful and prudent financial management would be required if the Council was to balance the reductions required in the net cost base, ensuring it remained in a sustainable financial position, whilst still aspiring towards Vision 2025.

#### **43. Localised Council Tax Support Scheme 2023/24**

##### Purpose of Report

To propose options for consultation on a 2023/24 Council Tax Support scheme, and an accompanying Exceptional Hardship Payments scheme.

##### Decision

- (1) That the potential options for a Council Tax Support scheme for 2023/24, as detailed in Section 5 of the report to the Executive, be approved for public consultation and scrutiny.
- (2) That a 'no change' scheme for 2023/24 be agreed as the preferred option for public consultation and scrutiny.
- (3) That further detailed modelling of a Universal Credit banded scheme with a view to adopting such a scheme from 2024/25 be undertaken.
- (4) That an Exceptional Hardship Fund of £25,000 for 2023/24 be approved.

##### Alternative Options Considered and Rejected

As set out in Section 5 of the report to the Executive, two options for a Council Tax Support Scheme would be subject to public consultation and scrutiny:

- Option 1: No change to the current scheme.
- Option 2: 'Introduction of a 'banded scheme' for Universal Credit based on earnings income

There would be public consultation on the Exceptional Hardship Payments Scheme, as detailed in paragraph 5.8 of the report.

The outcome of the public consultation would be considered by the Executive on 3 January 2023 and the proposed 2023/24 scheme would require a decision by Council by 31 January 2023.

## Reasons for the Decision

The Council Tax Support Scheme (CTS), which replaced the national council tax benefit system on 1 April 2014, may be determined by each billing authority, after consultation with precepting authorities, key stakeholders and residents.

As at 24 August 2022, there were 8,441 residents claiming CTS in Lincoln, of whom 2,636 were pensioners and were protected under the CTS. There was discretion to determine the level of support to the remaining 5,805 working age claimants (including those classified as 'vulnerable' for CTS purposes) in a local scheme which could change the level of support provided.

Unless a decision by the Council was made to apply scheme changes to vulnerable working-age customers, the localised CTS scheme would historically only be applied to non-vulnerable working age.

The current, 2022/23 scheme had the following restrictions for working age customers:

- Capital limit £6,000;
- Minimum entitlement of £2 per week;
- Property banding capped at Band B, so that a customer residing in a Band C and above property, would only have their CTS calculated on Band B liability;
- Backdating restricted to one month; and
- Temporary absence from home in line with Housing Benefit regulations.

Modelling for each of the proposed Council Tax Support Scheme options was based on assumptions such as upgrading of benefit figures; Council Tax increases of between 1.9% and 2.5%; no increase in caseload for 2023/24, also a 5% caseload increase of no more than 5%; and a collection rate of 98.75%.

Another key factor to be considered was to ensure our software supplier, NEC, was able to accommodate the changes being proposed. Normally, NEC would need to know about any potential significant changes required to the software system by the end of September 2022 preceding the new year a CTS scheme was being proposed – i.e. by the end of September 2022, for the 2023/24 scheme.

Exceptional Hardship Payments (EHP) assisted persons who had applied for CTS and faced 'exceptional hardship' – it was similar to the Discretionary Housing Payment scheme (DHP) for Housing Benefit shortfalls. EHP provided a further financial contribution where an applicant was in receipt of CTS but the level of support being paid by the Council did not meet their full Council Tax liability. The Council was required to provide financial assistance to the most vulnerable residents, who had been disproportionately affected by the changes made in 2023 to the CTS Scheme.

Since April 2013, the Council has agreed to introduce an EHP scheme each year, in order to provide a safety net for customers, in receipt of Council Tax Support who were experiencing difficulty paying their Council Tax. Exceptional Hardship fell within Section 13A(1) of the Local Government Finance Act 1992 and formed part of the CTS Scheme.

The cost of EHP awards was borne solely by City of Lincoln. As at 26 August 2022, a total of £11,551.44 EHP had been awarded for 2022/23. It was proposed that an EHP budget of £25,000 be in place for 2022/23.

The EHP scheme could be particularly vital if the option proposed in paragraph 5.6 of the officers report of a 'banded scheme' for Universal Credit based on earnings income' was implemented – as this could potentially be used in appropriate circumstances to make payments to CTS recipients with reduced awards under the scheme resulting in exceptional hardship being suffered as a result.

#### **44. Western Growth Corridor-Next Steps**

##### Purpose of Report

To update the Executive on progress since securing planning consent in January 2022 and to seek authority to proceed with the next stages of the delivery of the Western Growth Corridor (WGC) development, including:

- Starting the procurement process for the design and build of the Tritton Road bridges and spine road that would complete the transport infrastructure through the site, so that delivery timescales could be met should funding for the Tritton Road bridges from Levelling Up Fund Round 2 (LUF2) be secured; and
- The use of Compulsory Purchase Order (CPO) powers to enable delivery of Phase 1a of the development.

##### **Decision**

1. That procurement by officers be commenced on the Tritton Road bridges and Spine Road so that the Council would still be able to meet the timescales involved in delivering the LUF2 funding requirements should the Council be awarded and accept any funding offer made.
2. That the Council uses compulsory purchase powers to acquire the two identified strips of unregistered land to enable the commencement of the opening-up infrastructure works of Phase 1a of the Western Growth Corridor development.
3. That the power to override third party rights and easements under section 203 of the Housing and Planning Act 2003 be authorised.
4. That authority be delegated to the Strategic Director for Major Developments and the City Solicitor to approve the final form of the application and use of the required compulsory purchase order powers and the decisions about the extent of the land or rights over land to be acquired provided that these were necessary for the purposes of delivering Western Growth Corridor and were within the area identified on the plan, as detailed at Appendix A of the report.
5. That progress to date and the activities outlined in the report to further progress the scheme be supported.

## Alternative Options Considered and Rejected

None.

### Reason for Decision

The Western Growth Corridor (WGC) represented one of four sustainable urban extension (SUE) areas around Lincoln identified and promoted in the Central Lincolnshire Local Plan for development to meet the area's growth projections up to 2036. It was the closest SUE to the city centre and had the greatest opportunity to achieve real sustainability both within the development and for the surrounding communities. It was the major area for housing and employment growth in the city itself and a key part of delivering Lincoln's Growth Strategy over the next 20 years.

The Central Lincolnshire Local Plan adopted in April 2017 following a robust and thorough examination had now approved the principle for development of the site. Having established the principle of development, the next stage was to consider the key building blocks of the development at a broad rather than a detailed level. The Local Plan allocation was for a new neighbourhood of 3,200 new homes (20% affordable), twenty hectares of commercial/employment space, a new Leisure Village, improvements in accessibility and range of green space, flood mitigation improvements, remediation of the former tip and a range of improved connectivity (roads, cycle paths and pedestrian routes).

The City Council was a significant landowner (owning about 60% of the site included within the proposed masterplan area) and had been leading on bringing forward development of the area in a viable, sustainable and deliverable way since 2016. WGC represented a key priority within the City Council's Vision 2025 (and Vision 2020 before that) and delivered across all the Council's priorities and objectives. It was also the single biggest development area within the City boundary.

The remaining development land on WGC was owned by Lindum Western Growth Community Limited (LWGC), a subsidiary of the locally owned and based construction / development company Lindum Group. Together the Council and LWGC had submitted a planning application for the whole development on 3 April 2019.

Outline planning consent for the wider scheme and detailed consent for the two main access points into the development at Skellingthorpe Road and Tritton Road was obtained on 20 January 2022.

The government had launched a second round of Levelling-Up Funding on 23 March 2022 for large-scale capital schemes that delivered infrastructure to improve everyday life of residents and help to drive economic success and prosperity. The City Council in conjunction with Karl McCartney, as the local Member of Parliament, had submitted a LUF2 capital funding bid on 2 August 2022 for £20million to enable the accelerated delivery of the overbridge linking the development into Tritton Road, providing the much-needed alternative route to and from the city centre that avoided the rail level-crossing on Skellingthorpe Road. The outcome of the bid was expected later in 2022.

If successful, the funding would see an all vehicular/cycle/pedestrian bridge over the railway from the development into Tritton Road and a pedestrian/cycle bridge replacing the existing pedestrian rail crossing at Oak Farm (opposite the new LN6 development). A plan showing the location of the bridges was attached at Appendix E to the report. The funding would enable the bridge to be delivered in 2025 which would be significantly ahead of the original date, to open-up more housing and accelerate the overall development to further minimise short-term negative impacts of the development on the existing communities.

The Council and LWGC worked jointly together as the two landowners (the developer team) to shape and progress the development including jointly commissioning work from expert consultants, identifying funding and financing opportunities, reviewing viability and delivery.

The developer team had continued to review the overall scheme viability and deliverability. Opportunities to secure further funding to accelerate delivery particularly of the main infrastructure through the site that opened-up further housing development were being actively pursued. The inflation cost pressures and uncertainty in the economy generally and specifically the cost and availability of construction materials and housing market issues had remained a concern. A range of options were being explored and developed to mitigate the impact of this on the ability to start on site and would be covered in a report to the Executive in the coming months.

**45. Exclusion of the Press and Public**

There was no requirement for the press and public to be excluded as the agenda item entitled 'Western Growth Corridor - Next Steps' was considered in the public domain in its entirety.

**46. Western Growth Corridor-Next Steps**

This item was considered in the public domain in its entirety as detailed under minute No 44 above.

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**SUBJECT: OPERATIONAL PERFORMANCE REPORT – QUARTER 2  
2022/23**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: GRAHAM ROSE – SENIOR STRATEGIC POLICY OFFICER  
SCOTT LEA – POLICY OFFICER**

## 1. Purpose of Report

- 1.1 To present to Executive an outturn summary of the council's performance in Quarter 2 of 2022/23.

## 2. Background

- 2.1 Regular monitoring of the council's performance is a key component of the Local Performance Management Framework. This report covers the key strategic performance measures identified by Members and CMT as of strategic importance.
- 2.2 Each measure is monitored against a target boundary range. If a performance measure outturn status is Blue (acceptable), the measure is seen as performing on track. If a performance measure outturn status is green, the measure is seen to be achieving or exceeding the aspirational target. If a performance measure outturn status is red, the measure is seen to be performing below target and should be an area of focus.

## 3. Executive Summary

- 3.1 This report covers Quarter 2 of 2022/23, with the performance data outturns found in Appendices A and B.

Appendix A – Operational Performance Report - Quarter 2 2022/23

Appendix B – Quarterly and annual performance measure outturn tables from PIMS

There are 75 quarterly measures and 2 annual measures included within the report across the directorates Chief Executive's, Communities and Environment and Housing and Investment. The outturns for these measures are found at Appendix A. In total 60 performance measures out of the 77 are monitored against targets. As at the end of quarter 2 2022/23:

- **19 measures (31.7%)** were Red (below lower target boundary)
- **13 measures (21.7%)** were Blue (within target boundaries – acceptable)
- **25 measures (41.7%)** were Green (meeting or exceeding the higher target)
- **3 measures (5.0%)** were recorded as data not available for this quarter

Therefore, **38 (63.3%)** out of the **60** performance related measures were within or exceeding the targets set.

The Directorate for Major Developments (DMD) does not monitor performance through strategic measures. Instead, performance is managed by the progress of the various projects DMD owns under the priorities "Driving Inclusive Economic Growth" and "Lets Address the Challenge of Climate Change." From quarter 3 2022/23, a progress update on these projects will be included within the quarterly performance report.

3.2 The **Directorate for the Chief Executive** has 21 measures within this report of which 3 are volumetric. As at the end of quarter 2 2022/23, out of the 18 performance monitored measures:

- 4 measures (**22.2%**) were Red (below lower target boundary)
- 1 measure (**5.6%**) was Blue (within target boundaries – acceptable)
- 13 measures (**72.2%**) were Green (meeting or exceeding the higher target)

Therefore, **14 (77.8%)** of the **18** targeted measures were within or exceeding targets at the end of the quarter.

3.3 The **Directorate for Communities and Environment** has 35 measures within this report of which 9 are volumetric. As at the end of quarter 2 2022/23, out of the 26 performance monitored measures:

- 8 measures (**30.8%**) were Red (below lower target boundary)
- 8 measures (**30.8%**) were Blue (within target boundaries – acceptable)
- 9 measures (**34.6%**) were Green (meeting or exceeding the higher target)
- 1 measure (**3.8%**) was recorded as data not being available for this quarter

Therefore, **17 (65.4%)** of the **26** targeted measures were within or exceeding targets at the end of the quarter.

3.4 The **Directorate for Housing and Investment** has 21 measures within this report of which 5 are volumetric. As at the end of quarter 2 2022/23, out of the 16 performance monitored measures:

- 7 measures (**43.8%**) were Red (below lower target boundary)
- 4 measures (**25.0%**) were Blue (within target boundaries – acceptable)
- 3 measures (**18.8%**) were Green (exceeding the higher target)
- 2 measures (**12.5%**) were recorded as data not available for this quarter

Therefore, **7 (43.8%)** of the **16** targeted performance measures were within or exceeding targets at the end of the quarter.

3.5 As part of the data checking process, for Quarter 2 2022/23 onwards Assistant Directors were asked to approve all data and commentary submissions following entry into the PIMS system by data collectors.

#### **4. Key Performance Achievements and Concerns – Quarter 2 2022/23**

4.1 Below outlines the key performance achievements and concerns as at quarter 2 2022/23. Further information as to the reasons behind the outturns are provided in Appendix A.



4.2 **Key Performance Achievements** - the measures identified below are showing an improving performance trend and performed above target in quarter 2 2022/23.

**CX**

- During the second quarter, 2 apprentices were due to complete their qualification. Both successfully complete on time resulting in the performance outturn for measure WBL 1 achieving 100% for this quarter. Both apprentices completing in quarter 2 also moved into further education, employment, and training (100%) (WBL 1 & 2).
- The average return on investment portfolio has continued to rise for the 5<sup>th</sup> consecutive quarter. At the end of quarter 2, the average return stood at 1.64%, which was significantly above the high target for this measure of 0.25% (ACC 1).
- The average interest rate on external borrowing has seen a steady decline since quarter 2 2021/22. At the end of quarter 2 2022/23 the average interest rate on external borrowing stood at 2.97%, which was below the high target for the quarter of 3.75% (low is good) (ACC 2).
- During the second quarter 59% of invoices had an associated purchase order raised, which was above the high target for the measure of 55% (DCT 2).
- The Council Tax in year collection rate for Lincoln reached 52.16% in quarter 2 2022/23. This was just above the high target for this quarter of 51.50%. When compared to the same quarter last year, this was an improvement of 2.58% (REV 1).
- The Business Rates in year collection rate for Lincoln achieved an outturn of 62.99% in quarter 2 2022/23. This was above the high target for this quarter of 57.00% and was an improvement of 7.29% when compared to the same quarter last year (REV 2).
- The average (YTD) days to process new housing benefit claims from date received has continued to outperform its target. At the end of the quarter the average time to process such claims was 16.41 days against the high target of 18.50 days (low is good) (BE 1).
- The percentage of risk-based quality checks made where benefit entitlement is correct reached 95.56% at the end of the second quarter, outperforming its high target of 91% (BE 4).

**DCE**

- All businesses falling within the scope of the Food Standard Agency Recovery Plan that were due to be inspected during quarter 2 were inspected on time (100%). This outturn was above the high target for the period of 97% (FHS 3).
- The number of live planning applications open as at the end of the second quarter was 120. This was a slight decrease when compared to the previous quarter, which reported at 126. This latest outturn was in line with the high target for this measure of 120 (low is good) (DM 3).
- The percentage of planning applications approved within quarter 2 was 97%. This was an improvement on the previous quarter's outturn of 95% and in line with the high target for the period of 97% (DM 4)

- The number of live cases open at the end of the quarter across the full PPASB service was 208, which outperformed the high target for the period of 220 (low is good). This latest outturn was a decrease of 26.24% in cases when compared to the quarter 1 2022/23 outturn (PPASB 3).
- The percentage of customers that would recommend Birchwood Leisure Centre to others in quarter 2 2022/23 was 81%. This outturn was above the high target of 70% (SP 3a).
- In quarter 2 2022/23, 45 contractor points were awarded against the ground's maintenance contract. This was an improvement when compared to the quarter 1 2022/23 outturn where 75 points were awarded (low is good) (GM 1).
- The percentage occupancy of allotment plots as at the end of quarter 2 2022/23 was 96% and continued to perform above the high target for this measure of 92%. The 96% occupancy equates to 1,075 plots out of a total 1,172 plots being let during the quarter (AM 1).

#### **DHI**

- The percentage of dwellings with a valid gas safety certificate performed above target during the second quarter of 2022/23, with an outturn of 99.69% against a high target of 99.20% (HI 3).
- The percentage of rent collected as a proportion of rent owed exceeded the high target for the quarter of 95%, with an outturn of 97.69% (RC 1)

4.3 **Key Performance Concerns** – the measures identified below are showing a deteriorating performance trend and performed below target in quarter 2 2022/23.

#### **CX**

- The average time taken to answer a call to customer services increased significantly in the second quarter to 795 seconds and was higher than the low target for the period of 300 seconds (low is good) (CS 3).

#### **DCE**

- In quarter 2 there were 0 affordable homes delivered in the city against the low target for this quarter of 15. This was due to no housing schemes meeting the required threshold and criteria for delivering affordable housing (AH 1).
- The average end to end time to determine a planning application in quarter 2 was 105.21 days. This latest outturn was above the low target for the quarter of 85 days and was a significant time increase when compared to the quarter 1 outturn, which reported at 87.86 days (low is good) (DM 2).
- During quarter 2, 41 housing disrepair / condition cases were resolved in an average time of 20.4 weeks. This was an increase in time when compared to the previous quarters outturn of 15.1 weeks and just outside of the low target for this measure of 20 weeks (low is good) (PH 2).
- The quarterly data presented for the percentage of waste recycled or composted is lagged by one quarter due to the time taken for LCC to process the required 'disposal' data, with the latest data referring to quarter 1 2022/23. In total for quarter 1, 35% of waste had been recycled or composted, with 16.8% being recycled and 18.2% being composted. This latest outturn was a slight reduction on the quarter 1 2021/22 outturn of 35.39% and below the low target for the quarter of 36% (WM 1).

## **DHI**

- The percentage of council properties that were not at the 'Decent Homes' standard (excluding refusals) was 1.6% at the end of quarter 2 2022/23. This was outside of the low target for this measure of 1.5% and equated to 125 properties not being at the 'Decent Homes' standard (excluding referrals) (low is good) (HI 1).
- The current tenant arrears as a percentage of the annual rent debit achieved a performance outturn of 4.76% during the second quarter of 2022/23. This outturn was greater than the low target for this measure of 4.65% (low is good) (RC 2).
- The percentage of successful preventions and relief of homelessness against the total number homelessness approaches decreased to 41.24% during quarter 2 2022/23 and performed below the low target for this measure of 45% (HS 3).
- The percentage of rent lost through a dwelling being vacant increased during quarter 2 2022/23 to 1.42% from 1.15% in the first quarter. This latest outturn performed above the low target of 1% for this measure (low is good) (HV 1).
- The average re-let time in calendar days for all dwellings (standard re-lets) performed below target during the second quarter of 2022/23, with an outturn of 39.04 days against a low target of 34 days (low is good) (HV 2).
- The number of users logged into the on-line self-service system during the second quarter of 2022/23 was 9,958. This outturn was below the low target for the period of 10,000 and was a decrease of 1,466 when compared to the previous quarter (BD 1).

4.4 It is important to note that factors such as resource pressures, recruitment challenges and the cost of living crisis have had an impact on performance in quarter 2 2022/23. Looking ahead the cost of living crisis could lead to a further increased demand for council services, as the more vulnerable in the city look to the council for support, which could also further impact on performance. This is likely to be at a time when the council could see a reduction in both income for services and collection rates due to the increased financial pressures being faced by Lincoln's residents and businesses.

### **4.5 Resource Information**

- The council was actively recruiting 26.96 FTE at the end of the quarter, with a strong focus on essential and business critical roles due to the financial environment. This was a decrease of 0.89 FTE when compared to the quarter 1 outturn.
- The percentage staff turnover at the end of quarter 2 was 3.3% (excluding apprentices). When compared to the previous quarter this was an increase of 0.2%

### **4.6 Appraisal Completions**

- The 2022/23 appraisals for council employees were due to be completed by September 2022. As at the end of the second quarter 284 employees had received their appraisal out of a total of 613 employees (46.32%).

- It is important to note that in some cases it has not been possible to complete appraisals due to staff members being on long term sick or maternity leave. It is also important to note that in some cases service areas may have completed appraisals, however, these may not have been added onto the ITrent system at the time of writing this report. Subsequently these appraisals will not be included within the figures above.

#### 4.7 Sickness Performance

- In quarter 2 2022/23 the average sickness absence rate increased to 3.68 days per FTE. This was an increase of 0.28 days when compared to the same quarter in 2021/2022, where the average sickness absence rate stood at 3.40 days per FTE.
- When focusing specifically on the short-term sickness level, during quarter 2 short-term sickness increased by 0.41 days per FTE when compared to the same quarter in 2021/2022, reporting at 1.39 days per FTE.
- However, the long-term sickness level decrease in quarter 2 2022/23 by 0.13 days per FTE when compared to the same quarter in 2021/22, reporting at 2.29 days per FTE.

#### 4.8 Complaints Performance

- In quarter 2 2022/23 there were 129 complaints dealt with across the council, which was an increase of 39 complaints when compared to the quarter 1 2022/23 outturn.
- As at the end of the quarter, the percentage of formal complaints, which were responded to within their target time across all directorate's year to date, was 67% (147).

### 5. Strategic Priorities

#### 5.1 The City of Lincoln Council's Vision 2025 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.

The performance measures under each directorate predominantly link directly into one Vision 2025 strategic priority. These links are as follows:

Chief Executive's Directorate – *Let's reduce all kinds of inequality*

Directorate for Communities and Environment – *Let's enhance our remarkable place*

Directorate for Housing and Investment - *Let's deliver quality housing*

### 6. Organisational Impacts

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

There are no direct financial implications because of this report. Further details on the council's financial position can be found in the quarterly financial performance report.

## 6.2 Legal Implications including Procurement Rules

There are no direct legal implications

## 6.3 Equality, Diversity and Human Rights

There are no direct equality implications because of this report.

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

This report has no direct effect on equality in itself, but through measurement of service performance we are constantly able to review the quality of services for all recipients.

## 7. Risk Implications

7.1 (i) Options Explored – n/a

7.2 (ii) Key Risks Associated with the Preferred Approach – n/a

## 8. Recommendations

- 8.1
- 1) Executive is asked to review and comment on the achievements and challenges identified in the Quarter 2 2022/23 Operational performance report.
  - 2) Executive is asked to confirm that the format of the performance report continues to meet their requirements.

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	Two (A and B)
<b>List of Background Papers:</b>	None
<b>Lead Officers:</b>	Graham Rose - Senior Strategic Policy Officer Scott Lea - Policy Officer

# Operational Performance Report – Quarter 2 2022/23



Graham Rose - Senior Strategic Policy Officer

Scott Lea - Policy Officer

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## How to read this report

The performance measures within this report are split into two key areas:

- Performance measures specific to each directorate
- Corporate performance measures focusing on the whole authority

### Directorate performance measures

Presented in this report are the quarter 2 2022/23 performance measure outturns for those performance measures under each council directorate.

The performance measures under each directorate predominantly link directly into one Vision 2025 strategic priority. These links are as follows;

- **Chief Executive's Directorate Measures** – predominantly covering “Reducing all kinds of inequality”
- **Directorate for Communities and Environment Measures** - predominantly covering “Lets enhance our remarkable place”
- **Directorate for Housing and Investment Measures** - predominantly covering “Lets deliver quality housing”








The Directorate for Major Developments (DMD) does not monitor performance through strategic measures. Instead performance is managed by the progress of the various projects DMD owns under the priorities "Driving Inclusive Economic Growth" and “Lets Address the Challenge of Climate Change”. From quarter 3 2022/23 onwards, a progress update on these projects will be included within the quarterly performance report.

### Authority wide performance measures

For the authority wide performance measures the data is not specific to directorates but focuses on the council's performance overall. These corporate performance measures are split into the following categories:

- Resource information
- Health & wellbeing
- Sickness data
- Corporate complaints including Ombudsman rulings

For all directorate performance measures, outturn data is presented using the following indicators:

	At or above target
	Acceptable performance - results are within target boundaries
	Below target
	Volumetric / contextual measures that support targeted measures
	Performance has improved since last quarter / year
	Performance has stayed the same since last quarter / year
	Performance has deteriorated since last quarter / year

## Executive summary

Within this quarter 2 2022-23 Operational Performance Report for the City of Lincoln Council, we are reporting on 75 quarterly performance measures and 2 annual performance measures. The 77 measures are split across the directorates of Chief Executive's (CX), Community and Environment (DCE) and Housing and Investment (DHI). Currently there are no performance measures for the Directorate for Major Developments.

The main format of this report is split into five parts -

1. Executive Summary
2. Chief Executive's Directorate performance
3. Directorate for Communities and Environment performance
4. Directorate for Housing and Investment performance
5. Authority Wide performance

The 2022/23 targets for each targeted performance measure were agreed with Performance Scrutiny Committee and Executive in March 2022.

Below provides a summary of the quarterly performance measure outturns by status and by direction of travel for each directorate as at the end of quarter 2 2022/23.

Performance measure outturns by status						
Directorate	Below target	Acceptable	Above target	Volumetric	Data not available	Total
CX	4	1	13	3	0	21
DCE	8	8	9	9	1	35
DHI	7	4	3	5	2	21
<b>Total</b>	<b>19</b>	<b>13</b>	<b>25</b>	<b>17</b>	<b>3</b>	<b>77</b>

Performance measures outturns by direction of travel						
Directorate	Deteriorating	No change	Improving	Volumetric	Data not available	Total
CX	4	1	13	3	0	21
DCE	7	2	16	9	1	35
DHI	10	0	4	5	2	21
<b>Total</b>	<b>21</b>	<b>3</b>	<b>33</b>	<b>17</b>	<b>3</b>	<b>77</b>

When compared to the previous quarter there has been an increase of 3 quarterly measures performing at or above target within the second quarter. However, there has also been an increase of 4 quarterly measures performing below target during this latest quarter. When focusing on the performance direction of travel, there has been an increase of 11 quarterly measures showing an improving performance trend and a decrease of 5 quarterly measures showing a deteriorating performance trend. This indicates that performance overall is improving across the council based on trend, however, there remains a need for service areas to focus over the next quarter on those measures performing below target and with deteriorating performance. The report below specifically focuses on those measures with performance outturns above or below target for each directorate.

It is important to note that factors such as resource pressures, recruitment challenges and the cost of living crisis have had an impact on performance in quarter 2 2022/23. Looking ahead the cost of

living crisis could lead to a further increased demand for council services, as the more vulnerable in the city look to the council for support, which could also further impact on performance. This is likely to be at a time when the council could see a reduction in both income for services and collection rates due to the increased financial pressures being faced by Lincoln's residents and businesses.



# Chief Executive's Directorate



## Chief Executive's Directorate – Performance Measures

### Quarterly Measures

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Communications	COM 1	Percentage of media enquiries responded to within four working hours	High is good	75.00	90.00	82.00	A	▲
Work Based Learning	WBL 1	Percentage of apprentices completing their qualification on time	High is good	95.00	100.00	100.00	G	▲
Work Based Learning	WBL 2	Number of new starters on the apprenticeship scheme	High is good	8	10	5.00	R	▲
Work Based Learning	WBL 3	Percentage of apprentices moving into Education, Employment or Training	High is good	90.00	95.00	100.00	G	▲
Customer Services	CS 1	Number of face to face enquiries in customer services	N/A	Volumetric	Volumetric	30.00	V	
Customer Services	CS 2	Number of telephone enquiries answered in Channel Shift Areas (Rev & Bens, Housing & Env. Services)	N/A	Volumetric	Volumetric	28,197	V	
Customer Services	CS 3	Average time taken to answer a call to customer services	Low is good	300	180	795.00	R	▼
Customer Services	CS 4	Average customer feedback score (telephone, face to face and e-mail enquiries)	High is good	80.00	90.00	67.00	R	▬
Accountancy	ACC 1	Average return on investment portfolio	High is good	0.15	0.25	1.64	G	▲
Accountancy	ACC 2	Average interest rate on external borrowing	Low is good	4.75	3.75	2.97	G	▲
Debtors & Creditors	DCT 1	Percentage of invoices paid within 30 days	High is good	95.00	97.00	97.01	G	▼
Debtors & Creditors	DCT 2	Percentage of invoices that have a Purchase Order completed	High is good	45.00	55.00	59.00	G	▲
Debtors & Creditors	DCT 3	Average number of days to pay invoices	Low is good	30.00	15.00	14.00	G	▼

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Revenues Administration	REV 1	Council Tax - in year collection rate for Lincoln	High is good	50.00	51.50	52.16	G	▲
Revenues Administration	REV 2	Business Rates - in year collection rate for Lincoln	High is good	54.00	57.00	62.99	G	▲
Revenues Administration	REV 3	Number of outstanding customer changes in the Revenues team	Low is good	1,800	1,400	3,025	R	▲
Housing Benefit Administration	BE 1	Average (YTD) days to process new housing benefit claims from date received	Low is good	20.00	18.50	16.41	G	▲
Housing Benefit Administration	BE 2	Average (YTD) days to process housing benefit claim changes of circumstances from date received	Low is good	9.00	7.00	6.44	G	▼
Housing Benefit Administration	BE 3	Number of Housing Benefits / Council Tax support customers awaiting assessment	Low is good	2,000	1,800	1,502	G	▼
Housing Benefit Administration	BE 4	Percentage of risk-based quality checks made where Benefit entitlement is correct	High is good	88.00	91.00	95.56	G	▲
Housing Benefit Administration	BE 5	The number of new benefit claims year to date (Housing Benefits/Council Tax Support)	N/A	Volumetric	Volumetric	2,251	V	

## Chief Executive's Directorate measures performing at or above target

G

### Work Based Learning

WBL 1 - Percentage of apprentices completing their qualification on time &

WBL 3 - Percentage of apprentices moving into Education, Employment or Training

During the second quarter, 2 apprentices were due to complete their qualification. Both successfully complete on time resulting in the performance outturn for measure WBL 1 achieving 100% for this quarter. Both apprentices (100%) completing in quarter 2 also moved into further education, employment, and training.

### Accountancy

ACC 1 – Average return on investment portfolio

The average return on investment portfolio has continued to rise for the 5<sup>th</sup> consecutive quarter. As at the end of quarter 2, the average return on investment portfolio stood at 1.64%, which was significantly above the high target for this measure of 0.25%. This continued increase is due to the Bank of England rates continuing to rise. As a result investment income is likely to continue to rise over the coming quarters.

ACC 2 - Average interest rate on external borrowing

In comparison the average interest rate on external borrowing has seen a steady decline since quarter 2 2021/22. As at the end the quarter 2 2022/23 the average interest rate on external borrowing stood at 2.97%, which was below the high target for the quarter of 3.75%. It is important to note that interest rates are increasing, which may result in borrowing costs also increasing in line with this.

### Debtors & Creditors

DCT 1 - Percentage of invoices paid within 30 days

The percentage of invoices paid within 30 days during the second quarter of 2022/23 was 97.01%. This was just above the high target for this measure of 97% and is the second consecutive quarter this measure has performed above target. It is important to note that the outturn figure is calculated on all supplier invoices and credit notes (not refunds or grants) paid 01/07/2022 - 30/09/2022.

DCT 2 - Percentage of invoices that have a Purchase Order completed

To assist with making invoice payments as quickly as possible, the council aims to ensure as many invoices as possible have associated purchase orders raised. During the second quarter 59% of invoices had an associated purchase order raised, which was just above the high target of 55% for this measure. It is important to note that gas, water, and electricity invoices are excluded from this measure as purchase orders are not required.

### DCT 3 - Average number of days to pay invoices

The council aims to pay invoices within 30 days of this being received. In the second quarter of 2022/23 the average time for the council to pay invoices was just 14 days. This was below the high target of 15 days demonstrating exceptional performance. This figure is calculated on all supplier invoices and credit notes paid within the quarter 2 period.

## **Revenues Administration**

### REV 1 - Council Tax - in year collection rate for Lincoln

At the end of the second quarter of 2022/23 the council tax in-year collection rate reached 52.16%. This was just above the high target for this quarter of 51.50%. When compared to the same quarter last year, this was an improvement of 2.58%. There are a number of likely reasons for this increase, which include the application of Covid-19 hardship relief of £207k onto a number of council tax accounts. The council has also applied 7,365 Energy Rebates onto the Council Tax accounts where customers did not request a refund. This ensured that the customer did not miss out on the rebate.

### REV 2 - Business Rates - in year collection rate for Lincoln

The business rates in year collection rate for Lincoln at the end of the second quarter achieved an outturn of 62.99%. This was above the high target for this quarter of 57% and was an improvement of 7.29% when compared to the same quarter last year. There are a number of reasons for this increase, one of which is the application of the Covid-19 Additional Relief Fund. Approximately £852k rate relief was backdated into 2021-22 due to this additional relief. These credits have overinflated the 2022-23 collection at this point. £852k equates to roughly 2% of the liability for 2022-23.

## **Benefits Administration**

### BE 1 - Average (YTD) days to process new housing benefit claims from date received

The average (YTD) days to process new housing benefit claims from date received has continued to outperform its target. As at the end of the quarter the average time to process such claims was 16.41 days against the high target of 18.50 days. When compared to the same quarter in 2021/22, this was a reduction of 1.09 processing days. This improvement in performance was due to levels of outstanding workload decreasing within the Benefits Administration Team.

### BE 2 - Average (YTD) days to process housing benefit claim changes of circumstances from date received

The average (YTD) days to process housing benefit claim changes of circumstances from date received also saw a decrease as at the end of the second quarter reducing to 6.44 days. This outturn performed better than the high target for this period of 7 days. When compared to the same quarter last year, this outturn has seen a slight increase in the processing time for housing benefit claim changes of circumstances (0.95 days). This small increase was due to the amount of outstanding work within the team being slightly higher than at the same time last year.

### BE 3 - Number of Housing Benefits / Council Tax support customers awaiting assessment

The number of Housing Benefits / Council Tax support customers awaiting assessment at the end of the second quarter of 2022/23 was 1,502, which performed better than the high target for the



quarter of 1,800. Of these customers 1,169 were awaiting a first contact from the council as at the end of the quarter. Outstanding work has decreased within the team during quarter 2 as annual up ratings and rent increases have been processed within the team. When compared to the same quarter in 2021/22 the number of customers awaiting assessment in the second quarter of 2022/23 was slightly greater (1,411 in quarter 2 2021/22).

#### BE 4 - Percentage of risk-based quality checks made where Benefit entitlement is correct

The percentage of risk-based quality checks made where benefit entitlement is correct reached 95.56% at the end of the second quarter, outperforming its high target of 91%. This encouraging performance reflects the large amount of quality checks which have been undertaken within the team during the quarter. When compared to the same quarter in 2021/22, the quarter 2 2022/23 outturn was an improvement in performance of 0.3%.

### **Chief Executive's Directorate measures performing below target**

**R**

#### **Work Based Learning**

##### WBL 2 - Number of new starters on the apprenticeship scheme

During the second quarter, 5 apprentices started at the council bringing the total number of new starters on the apprenticeship scheme in 2022/23 to 6. This outturn was below the quarter 2 low target for this measure of 8, however, was an increase of 3 new starters when compared to the same quarter in 2021/22. Looking ahead work will continue to identify further apprentice placement opportunities across the council. In addition, the apprenticeship scheme will continue to be promoted to council employees, with the scheme providing the opportunity for employees to develop their skills through an apprenticeship alongside completing their job role.

##### CS 3 - Average time taken to answer a call to customer services

The average time taken to answer a call to customer services increased significantly in the second quarter to 795 seconds and was higher than the low target for the period of 300 seconds. The increased waiting time for customers in quarter 2 was as a result of their being two staff vacancies within the Customer Services Team during the quarter. Whilst these vacant posts were recruited to within the quarter, the new members of staff were not expected to commence in their posts until the start of quarter 3. Upon commencement the new staff members will need to undertake a period of training before performance in this area will start to improve. Frustratingly for the Customer Services Team, a further two vacancies were noted in the team at the time of writing this report. A further recruitment process will need to take place, together with the necessary training, and subsequently performance is unlikely to improve for this measure over the next quarter.

##### CS 4 - Average customer feedback score (telephone, face to face and e-mail enquiries)

The Customer Services Team monitor customer satisfaction through an integrated satisfaction survey, which covers the telephone service, face to face appointments and e-mails. During the second quarter 180 responses to the survey were received, with an average satisfaction rate of 67.00%. This was the first time data for this measure had been collected and the outturn for this

measure was below the low target of 80%. The longer call wait times as outlined above are likely to have had an impact on this outturn. However, a range of really positive comments were received against the service during the quarter. Some of these included:

- *I was amazed at how caring and helpful your team was!*
- *The lady I spoke to both times was so lovely, caring, and professional. I'm facing homelessness, there was no judging and she explained every step to me.*

### REV 3 - Number of outstanding customer changes in the Revenues Team

The number of outstanding changes in the Revenues Team at the end of the second quarter reached 3,025, which was significantly above the high target for the quarter of 1,400. This decline in performance was partly as a result of the Revenues Team being unable to process correspondence for a whole week in September 2022 due to an East Midlands internet provider outage, which reduced access to council systems. This outage had an adverse affected on the number of documents outstanding during the quarter. In addition, for the whole of both quarter 1 and quarter 2, resource within the Revenues Team has been moved from the day-to-day activities to deal with the Mandatory Energy Rebate. Overtime was offered to the team during the quarter to try to keep the backlog created by this scheme to a minimum. Looking ahead it is expected the outstanding correspondence level should improve soon as the outage issue appears to have been resolved and the Mandatory Energy Rebate scheme is coming to an end. Resources will be moved from this scheme onto normal day to day activities. The Discretionary Energy Rebate scheme is still ongoing but is a considerably smaller scheme and does not require the same level of resource.





## Directorate for Communities and Environment – Performance Measures

### Quarterly Measures

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Affordable Housing	AH1	Cumulative number of affordable homes delivered	High is good	15	45	0.00	R	▼
Food and Health & Safety Enforcement	FHS 1	Percentage of premises fully or broadly compliant with Food Health & Safety inspection	High is good	95.00	97.00	98.64	G	▲
Food and Health & Safety Enforcement	FHS 2	Average time from actual date of inspection to achieving compliance	Low is good	15.00	10.00	12.86	A	▲
Food and Health & Safety Enforcement	FHS 3	Percentage of food inspections that should have been completed and have been in that time period	High is good	85.00	97.00	100.00	G	▬
Development Management (Planning)	DM 1	Number of applications in the quarter	N/A	Volumetric	Volumetric	231.00	V	
Development Management (Planning)	DM 2	End to end time to determine a planning application (Days)	Low is good	85.00	65.00	105.21	R	▼
Development Management (Planning)	DM 3	Number of live planning applications open	Low is good	180	120	120.00	G	▲
Development Management (Planning)	DM 4	Percentage of applications approved	High is good	85.00	97.00	97.00	G	▲
Development Management (Planning)	DM 5	Percentage of decisions on planning applications that are subsequently overturned on appeal	Low is good	10.00	5.00	0.00	G	▬
Development Management (Planning)	DM 6	Percentage of Non-Major Planning Applications determined within the government target (70% in 8 weeks) measured on a 2 year rolling basis	High is good	70.00	90.00	88.30	A	▲
Development Management (Planning)	DM 7	Percentage of Major Planning Applications determined within the government target (60% in	High is good	60.00	90.00	84.20	A	▼

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
		13 weeks) measured on a 2 year rolling basis						
Private Housing	PH 1	Average time in weeks from occupational therapy notification to completion of works on site for a DFG grant (all DFG's exc. extensions)	Low is good	26.00	19.00	29.40	R	▲
Private Housing	PH 2	Average time from date of inspection of accommodation to removing a severe hazard to an acceptable level	Low is good	20.00	12.00	20.40	R	▼
Private Housing	PH 3	Number of empty homes brought back into use (YTD)	High is good	8	18	16.00	A	▲
Public Protection and Anti-Social Behaviour Team	PPASB 1	Number of cases received in the quarter (ASB cases only)	N/A	Volumetric	Volumetric	133.00	V	
Public Protection and Anti-Social Behaviour Team	PPASB 2	Number of cases closed in the quarter (across full PPASB service)	N/A	Volumetric	Volumetric	1,036	V	
Public Protection and Anti-Social Behaviour Team	PPASB 3	Number of live cases open at the end of the quarter (across full PPASB service)	Low is good	260	220	208.00	G	▲
Public Protection and Anti-Social Behaviour Team	PPASB 4	Satisfaction of complainants relating to how the complaint was handled (across full PPASB service)	High is good	75.00	85.00		Data not available	
Sport & Leisure	SP 1a	Quarterly visitor numbers to Birchwood Leisure Centre	N/A	Volumetric	Volumetric	37,616	V	
Sport & Leisure	SP 1b	Quarterly visitor numbers to Yarborough Leisure Centre	N/A	Volumetric	Volumetric	60,934	V	
Sport & Leisure	SP 2	Artificial Grass Pitch usage at Yarborough Leisure Centre & Birchwood Leisure Centre	High is good	520.00	650.00	635.00	A	▼
Sport & Leisure	SP 3a	Customers who would recommend Birchwood Leisure Centre	High is good	62.00	70.00	81.00	G	▲

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Sport & Leisure	SP 3b	Customers who would recommend Yarborough Leisure Centre	High is good	62.00	70.00	55.00	R	▲
CCTV	CCTV 1	Total number of incidents handled by CCTV operators	N/A	Volumetric	Volumetric	2,462.00	V	
Waste & Recycling	WM 1	Percentage of waste recycled or composted	High is good	36.00	39.00	35.00	R	▼
Waste & Recycling	WM 2	Contractor points achieved against target standards specified in contract - Waste Management	Low is good	150	50	130.00	A	▼
Street Cleansing	SC 1	Contractor points achieved against target standards specified in contract - Street Cleansing	Low is good	150	50	105.00	A	▲
Grounds Maintenance	GM 1	Contractor points achieved against target standards specified in contract - Grounds Maintenance	Low is good	150	50	45.00	G	▲
Allotments	AM 1	Percentage occupancy of allotment plots	High is good	84.00	92.00	96.00	G	▲
Parking Services	PS 1	Overall percentage utilisation of all car parks	High is good	50.00	60.00	47.00	R	▲
Parking Services	PS 2	Number of off street charged parking spaces	N/A	Volumetric	Volumetric	3,771.00	V	
Licensing	LIC 1	Total number of committee referrals (for all licensing functions)	N/A	Volumetric	Volumetric	2.00	V	
Licensing	LIC 2	Total number of enforcement actions (revocations, suspensions, and prosecutions)	N/A	Volumetric	Volumetric	0.00	V	

## Annual Measures

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status
Grounds Maintenance	GM 2	Satisfaction with play areas, parks, and open spaces (collected via Citizens' Panel)	High is good	85.00	90.00	80.00	R
Street Cleansing	SC 2	Satisfaction that public land and public highways are kept clear of litter and refuse (Street Cleansing) (collected via Citizens' Panel)	High is good	68.00	80.00	72.80	A

### **Food Health & Safety**

#### FHS 1 - Percentage of premises fully or broadly compliant with Food Health & Safety inspection

In quarter 2 the percentage of food premises fully or broadly compliant with Food Health and Safety inspection was 98.64%, which was above the high target for the period of 97%. During the quarter the council's Food, Health and Safety Team continued to operate in accordance with the Food Standard Agency (FSA) Recovery Plan and as a result the percentage of premises fully or broadly compliant with food health & safety inspection should be treated with caution. During the second quarter the focus of the team continued to be on the less compliant businesses in the city of which 10 were non-compliant. The team is continuing to work with these businesses to ensure they are at a minimum level of being at least broadly compliant. As at the end of quarter 2, of the 1,121 food registered businesses in the city, 738 of these businesses are included in the FSA Recovery Plan.

#### FHS 3 - Percentage of food inspections that should have been completed and have been in that time period

All businesses falling within the scope of the Food Standard Agency Recovery Plan that were due to be inspected during quarter 2 were inspected on time (100%). This outturn was above the high target for the period of 97%. During the quarter the Food Health & Safety Team were able to focus on inspecting the businesses that were not inspected during the Covid-19 lockdown periods and a total of 146 food inspections were carried out during the quarter.

### **Development Management**

#### DM 3 - Number of live planning applications open

The number of live planning applications open as at the end of the second quarter was 120. This was a slight decrease when compared to the previous quarter, which reported at 126. This latest outturn was in line with the high target for this measure of 120. Performance of this measure has remained at a relatively consistent level.

#### DM 4 - Percentage of applications approved

The percentage of applications approved within quarter 2 was 97%. This was an improvement on the previous quarter's outturn of 95% and in line with the high target for the period of 97%. The application approval rate continues to remain high. This is due to the hard work of the team and the effectiveness of the pre-application screening and officer negotiation.

#### DM 5 - Percentage of decisions on planning applications that are subsequently overturned on appeal

The percentage of decisions on planning applications that are subsequently overturned on appeal remained at 0 during quarter 2. This was the 7<sup>th</sup> consecutive quarter the outturn for this performance measure had been recorded at 0 and demonstrates the continued strong appeal performance of the team and the quality of the decisions being made.

## Public Protection & Anti-Social Behaviour

### PPSAB 3 - Number of live cases open at the end of the quarter (across full PPASB service)

The number of live cases open at the end of the quarter across the full PPASB service was 208, which outperformed the high target for the period of 220. This latest outturn was a decrease of 26.24% in cases when compared to the quarter 1 2022/23 outturn. This latest decrease demonstrates that the team has managed the incoming cases effectively during the quarter. This is a key achievement as the team has been short staffed and missing both the Team Leader and Service Manager for a large part of quarter 2 2022/23.

## Sport & Leisure

### SP 3a - Customers who would recommend Birchwood Leisure Centre

The percentage of customers that would recommend Birchwood Leisure Centre to others in quarter 2 2022/23 was 81%. This outturn was above the high target of 70% and was an improvement of 4% when compared to the previous quarter. During the second quarter a mystery shopper attended Birchwood Leisure Centre and the customer service they received was scored at 94.6%.

## Grounds Maintenance

### GM 1 - Contractor points achieved against target standards specified in contract - Grounds Maintenance

Contractor points are awarded against a contractor where scheduled work has not been completed to the required standard or within the required timeframe. In quarter 2 2022/23, 45 contractor points were awarded against the grounds maintenance contract. This was an improvement when compared to the quarter 1 2022/23 where 75 points were awarded. Of the contractor points awarded during the quarter, 20 points were awarded against the contractor in July 22, 5 points were awarded in August 22 and 20 were points awarded in September 22. The majority of points awarded were in relation to grass cutting (missed or poor quality) and fairly small maintenance issues. All issues were rectified within 1-2 days.

## Allotments

### AM 1 - Percentage occupancy of allotment plots

At the end of quarter 2 2022/23, the percentage occupancy of allotment plots was 96% and continued to perform above the high target for this measure of 92%. The 96% occupancy equates to 1,075 plots out of a total 1,172 plots being let during the quarter. There has continued to be a steady demand for allotment plots with most of the allotment sites currently having a waiting list for plots. The Allotments Team has continued to ensure any plots that become available are re-let as quickly as possible. This measure will be closely monitored in the coming quarters as the demand for allotment plots may dramatically increase due to the cost of living crisis. It is important to note the new allotment charge levels introduced in February 2022 have not had a major impact on demand for allotment plots.



### **Affordable Housing**

#### AH 1 - Cumulative number of affordable homes delivered

In quarter 2 there were 0 affordable homes delivered in the city against the low target for this quarter of 15. This was due to no housing schemes meeting the required threshold and criteria for delivering affordable housing. Affordable housing contributions are only sought on sites where 11 or more houses are being built as outlined in the policy LP11 of the Central Lincolnshire Local Plan. It is anticipated that there will be some affordable housing delivery in quarter 3, with a large volume of housing currently being built in the Romangate area of the city.

### **Development Management**

#### DM 2 - End to end time to determine a planning application (Days)

The average end to end time to determine a planning application in quarter 2 was 105.21 days. This latest outturn was above the low target for the quarter of 85 days and was a significant time increase when compared to the previous quarter 1 outturn, which reported at 87.86 days. This level of performance reflects the complexities of some of the proposals determined in the quarter, as well as resource pressures due to there being a vacant position within the team.

### **Private Housing**

#### PH 1 - Average time in weeks from occupational therapy notification to completion of works on site for a Disabled Facilities Grant (DFG) (all DFG's exc. extensions)

In quarter 2 the average time from an occupational therapist notification to completing works on site was 29.4 weeks. Whilst this latest outturn was a slight improvement when compared to the previous quarter (30.4 weeks), this latest outturn has remained higher than the target for the period of 26 weeks. It is important to note this measure is calculated from when the first occupational therapist notification was received. During quarter 2, the time from when the application was approved, which incorporates all design work being agreed, a contractor being sourced, and the work being completed, was 12.4 weeks and was a slight improvement from the previous quarter which recorded at 12.9 weeks. This measure will continue to be monitored as it is anticipated performance will unlikely improve in the next quarter as the resignation of a key member of staff has had an impact on overall staffing resources. At the end of the second quarter 35 cases had been assigned to case officers with 22 awaiting allocation. A total of 29 adaptations have been completed so far in 2022/23.

#### PH 2 - Average time from date of inspection of accommodation to removing a severe hazard to an acceptable level

During quarter 2, 41 housing disrepair / condition cases were resolved in an average time of 20.4 weeks. This was an increase in time when compared to the previous quarters outturn of 15.1 weeks and just outside of the low target for this measure of 20 weeks. This decrease in performance was

mainly due to the team managing a number of other workstreams including HMO licensing, licensing condition visits and Homes for Ukraine checks, all of which had an impact on issues being resolved. Park and Abbey wards have continued to have the highest private rented accommodation complaints in the city reporting at 61% across both of these wards.

## **Sport & Leisure**

### SP 3b - Customers who would recommend Yarborough Leisure Centre

The percentage of customers that would recommend Yarborough Leisure Centre to others in quarter 2 2022/23 was just 55%. Whilst a slight improvement in performance when compared to the previous quarter, the latest outturn performed below the low target for this measure of 62%. Performance of this measure has dropped since the temporary closure of the pool at Yarborough Leisure Centre, with most of the negative feedback received relating to the pool not being in use. Work is continuing to ensure the pool can reopen as quickly as possible.

## **Waste Management**

### WM 1 - Percentage of waste recycled or composted

The quarterly data presented for the percentage of waste recycled or composted is lagged by one quarter due to the time taken for LCC to process the required 'disposal' data, with the latest data referring to quarter 1 2022/23. In total for quarter 1, 35% of waste had been recycled or composted, with 16.8% being recycled and 18.2% being composted. This latest outturn was a slight reduction on the quarter 1 2021/22 outturn of 35.39% and below the low target for the quarter of 36%. Work will continue to raise awareness of the importance of recycling over the coming quarter, and to remind residents of the items which can be sent for recycling or composting. Significant changes are anticipated for this service when the requirements of the Environment Act are made clearer.

## **Parking Services**

### PS 1 - Overall percentage utilisation of all car parks

In quarter 2 2022/23 the overall percentage utilisation of all City of Lincoln Council owned car parks was 47%. Whilst this was an increase of 1% when compared to the quarter 1 2022/23 outturn, this latest outturn performed below the low target for the measure of 50%. However, when compared to the same quarter in 2021/22, utilisation levels have seen an increase of 7% indicating more visitors are returning to the city and using the council's car parks. During the quarter 2 uphill car parks performed well with an increased level of tourism and with the University of Lincoln graduation days falling within this period. The work of the council's Car Parking Income Maximisation Group will continue over the coming quarter.

## **Grounds Maintenance**

### GM 2 - Satisfaction with play areas, parks, and open spaces (collected via Citizens' Panel)

Satisfaction with play areas, parks, and open spaces is an annual measure collected in quarter 2 from the July Lincoln Citizens' Panel survey. The latest outturn for 2022/23 showed that 80% of residents were satisfied or very satisfied with the play areas, parks, and open spaces in the city. Whilst this latest outturn was below the low target for the period of 85%, this level of satisfaction is encouraging and was an improvement when compared to the 2021/22 outturn for this measure of 77.8%.



## Directorate for Housing and Investment – Performance Measures

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Housing Investment	HI 1	Percentage of council properties that are not at the 'Decent Homes' standard (excluding refusals)	Low is good	1.50	1.00	1.60	R	▼
Housing Investment	HI 2	Number of properties 'not decent' as a result of tenants refusal to allow work (excluding referrals)	N/A	Volumetric	Volumetric	249	V	
Housing Investment	HI 3	Percentage of dwellings with a valid gas safety certificate	High is good	98.20	99.20	99.69	G	▲
Control Centre	CC 1	Percentage of customers satisfied with their new Lincare Housing Assistance service connection to the control centre	High is good	90.00	95.00		Data not available	
Control Centre	CC 2	Percentage of Lincare Housing Assistance calls answered within 60 seconds	High is good	97.50	98.00	97.87	A	▼
Rent Collection	RC 1	Rent collected as a proportion of rent owed	High is good	92.50	95.00	97.69	G	▲
Rent Collection	RC 2	Current tenant arrears as a percentage of the annual rent debit	Low is good	4.65	4.55	4.76	R	▼
Housing Solutions	HS 1	The number of people currently on the housing waiting list	N/A	Volumetric	Volumetric	1,574	V	
Housing Solutions	HS 2	The number of people approaching the council as homeless	N/A	Volumetric	Volumetric	631	V	
Housing Solutions	HS 3	Successful preventions and relief of homelessness against total number of homelessness approaches	High is good	45.00	50.00	41.24	R	▼
Housing Voids	HV 1	Percentage of rent lost through dwelling being vacant	Low is good	1.00	0.90	1.42	R	▼
Housing Voids	HV 2	Average re-let time calendar days for all dwellings - standard re-lets	Low is good	34.00	32.00	39.04	R	▼
Housing Voids	HV 3	Average re-let time calendar days for all dwellings (including major works)	Low is good	40.00	38.00	50.30	R	▲



Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Current Value	Status	
Housing Maintenance	HM 1a	Percentage of reactive repairs completed within target time (priority 1 day only)	High is good	98.50	99.50	99.47	A	▼
Housing Maintenance	HM 1b	Percentage of reactive repairs completed within target time ( urgent 3 day repairs only)	High is good	95.00	97.50	96.92	A	▲
Housing Maintenance	HM 2	Percentage of repairs fixed first time (priority and urgent repairs) - HRS only	High is good	90.00	93.00	91.23	A	▼
Housing Maintenance	HM 3	Percentage of tenants satisfied with repairs and maintenance	High is good	94.00	96.00		Data not available	
Housing Maintenance	HM 4	Appointments kept as a percentage of appointments made (priority and urgent repairs) - HRS only	High is good	95.00	97.00	98.76	G	▼
Business Development	BD 1	Number of users logged into the on-line self-service system this quarter	High is good	10,000	11,000	9,958.00	R	▼
IT	ICT 1	Number of calls logged to IT helpdesk	N/A	Volumetric	Volumetric	861.00	V	
IT	ICT 2	Percentage of first time fixes	N/A	Volumetric	Volumetric	58.00	V	

## Directorate for Housing and Investment measures performing at or above target

G

### Housing Investment

#### HI 3 - Percentage of dwellings with a valid gas safety certificate

The percentage of dwellings with a valid gas safety certificate performed above target during the second quarter of 2022/23, with an outturn of 99.69% against a high target of 99.20%. Whilst this is an improvement of 0.8% when compared to the previous quarter, the team continues to experience some instances where they cannot access a property to carry out a gas safety check within our housing stock. This is a trend since the Covid-19 pandemic, and the council is following the correct protocols with the tenancy and legal teams.

### Rent Collection

#### RC 1 - Rent collected as a proportion of rent owed

The percentage of rent collected as a proportion of rent owed exceeded the high target for the quarter of 95%, with an outturn of 97.69%. As with the first quarter of 2022/23, the team has continued to prioritise the collection of rent to maintain an income stream. During the quarter the

council’s new Sustainment Team has continued to work with tenants who are struggling financially. This latest outturn is slightly above the collection rate achieved in the same quarter of 2021/22, which performed at 97.61%.

### Housing Maintenance

During quarter 2 2022/23 the Housing Repairs Service has experienced issues with the repairs booked in on the DRS systems and its links to Universal Housing. As a result some asbestos information, job descriptions and time allocations have not been transferring onto the DRS system or mobile devices and more manual input has been required. This will continue until the replacement system is in place. These issues have unfortunately impacted on performance across measures HM 1a, HM 1b, HM 2 and HM 4, although the impact is slightly different across each of the measures.

#### HM 4 - Appointments kept as a percentage of appointments made (priority and urgent repairs) - HRS only

Despite the issues the team has experienced above, during the second quarter of 2022/23 98.76% of appointment made were kept, which performed above the high target for this measure of 97%. Performance levels remain consistent with previous quarters. Despite this the team continues to scrutinise when appointments are missed to see if this was caused by a resource, training, or communication issue.

## Directorate for Housing and Investment measures performing below target

R

### Housing Investment

#### HI 1 - Percentage of council properties that are not at the 'Decent Homes' standard (excluding refusals)

At the end of quarter 2 2022/23, the percentage of council properties that were not at the ‘Decent Homes’ standard (excluding refusals) was 1.6%. This was just outside of the low target for this measure of 1.5% and equated to 125 properties not being at the ‘Decent Homes’ standard (excluding referrals). The breakdown of the reasons as to why the housing was not at the ‘Decent Homes’ standard at the end of quarter 2 2022/23 was as follows:

Reason	Number not at ‘Decent Homes’ standard
Doors	32
Windows	56
Electrics	37
Roof	1 (1 property failed both doors and windows)

During the final month of the quarter the figures had decreased when compared to earlier in the quarter. This was mainly as a result of doors and windows being installed in September 2022 in some council properties and all previous failures for chimneys being resolved.

## Rent Collection (Tenancy Services)

### RC 2 - Current tenant arrears as a percentage of the annual rent debit

The current tenant arrears as a percentage of the annual rent debit achieved a performance outturn of 4.76% during the second quarter of 2022/23. This outturn was greater than the low target for this measure of 4.65% (low is good). It is important to note that arrears are normally at their highest at this time of the year, with a reduction in arrears expected at the end of quarters 3 and 4 due to rent-free weeks. An increased number of tenants migrated over to Universal Credit during the quarter, meaning increased arrears and the heightened costs of living has put pressure on households. The national period of mourning also impacted on the collection of arrears during the quarter.

## Housing Solution

### HS 3 - Successful preventions and relief of homelessness against total number of homelessness approaches

The percentage of successful preventions and relief of homelessness against the total number of homelessness approaches decreased to 41.24% during quarter 2 2022/23 and performed below the low target for this measure of 45%. It proved to be increasingly difficult to prevent or relieve homelessness during the quarter into anything other than council accommodation, as most of the council's applicants were not able to afford privately rented accommodation. Subsequently during the second quarter of 2022/23 there were high numbers of applicants waiting for suitable social housing. It is important to note homelessness applications are increasing nationally and the council has seen an increase in line with national averages.

## Housing Voids

### HV 1 - Percentage of rent lost through dwelling being vacant

The percentage of rent lost through a dwelling being vacant increased during quarter 2 2022/23 to 1.42% from 1.15% in the first quarter. This latest outturn performed above the low target of 1% for this measure (low is good). Throughout the quarter the team worked hard to turn properties around as quickly as possible, however, when compared to the same quarter in 2022/23, the team received a higher number of keys during the period, which unfortunately resulted in an increased pressure on resources.

### HV 2 - Average re-let time calendar days for all dwellings - standard re-lets

The average re-let time in calendar days for all dwellings (standard re-lets) performed below target during the second quarter of 2022/23, with an outturn of 39.04 days against a low target of 34 days. However, when compared to the same quarter in 2021/22 (44.83 days), this latest outturn was an improvement in performance. The Housing Voids Team has faced an increase in the number of properties being re-let post pandemic with keys now being returned at around 10 sets per week. Some housing is in poor condition and therefore needing a considerable amount of work, and subsequently some contractors have struggled to meet this demand due to the current market condition regarding labour shortages in the construction sector, which is also affecting many other local authorities. The Housing Voids Team is working to bring this performance measure closer to target for quarter 3 2022/23.

### HV 3 - Average re-let time calendar days for all dwellings (including major works)

The average re-let time in calendar days for all dwellings (including major works) performed below target during the second quarter of 2022/23, with a relet time of 50.30 days against a high target of 38 days (low is good). There have been a number of challenges faced by the team, together with a high number of transfers during the quarter due to sign ups for De Wint Court. Throughout the quarter the team has worked hard to reduce the overall number of re-let days, whilst contractors have also placed additional labour into properties where necessary, and when compared to the first quarter of 2022/23 there has been a slight reduction in the overall relet times.

### **Business Development**

#### BD 1 - Number of users logged into the on-line self-service system this quarter

The number of users logged into the on-line self-service system during the second quarter of 2022/23 was 9,958. This outturn was below the low target for the period of 10,000 and was a small decrease of 1,466 when compared to the previous quarter. A project to replace the on-line self-service system will commence in the near future. Associated communications will take place to encourage customers to use the new self-service system upon project completion.





# Authority Wide Measures

## Authority Wide Measures

### Resource Information

The total number of FTE employees (excluding apprentices) at the end of quarter 2 was 534.15. During this period the average number of apprentices was 6.41. The council was actively recruiting 26.96 FTE as at the end of the quarter, with a strong focus on essential and business critical roles due to the financial environment. The percentage of staff turnover at the end of quarter 2 was 3.3% (excluding apprentices).

Directorate	CX	DCE	DMD	DHI	Total (Excluding Apprentices)
Number of FTE employees	162.87	129.09	13.70	228.49	534.15
Average number of apprentices (as at quarter end)	Authority Wide				6.41
Percentage of staff turnover	Authority Wide				3.30%
Active vacancies which are being recruited (FTE)	Authority Wide				26.96

Appraisals for the year 2022/23 completed up to the end of quarter 2 as recorded in ITrent

Directorate	Number of staff on establishment (head count) as at 30/09/2022	Appraisals completed to date (Q1 and Q2)	% of appraisals completed
CX	205	71	34.63%
DCE	150	92	61.33%
DMD	15	0	0.00%
DHI	243	121	49.79%
Authority Wide	613	284	46.32%

It is important to note that in some cases it has not been possible to complete appraisals due to staff members being on long term sick or maternity leave. The deadline for appraisals to be completed was 30<sup>th</sup> September 2022. Service areas will continue to be encouraged to complete appraisals as soon as possible over the coming quarter. It is also important to note that in some cases service areas may have completed appraisals, however, these may not have been added onto the ITrent system at the time of writing this report. Subsequently these appraisals will not be included within the figures above.

### Health and Wellbeing

In quarter 2 2022/23 the council made 10 referrals to Occupational Health.

The council's main focus for health and wellbeing for quarter 2 was the Virgin Pulse Go Challenge, which is a holistic wellbeing platform aimed at driving improved health and wellbeing behaviours



and habits. Outcomes aimed for are greater health awareness, behaviour changes for sustained health / wellbeing habits and improved overall health.

Additionally, during this period the Human Resources Team promoted a range of health and wellbeing schemes and initiatives via the staff intranet and / or via announcements on the Virgin Go portal:

- National Fitness Week at Yarborough and Birchwood Leisure Centres, the tennis courts on the West Common and park runs at Boultham Park and Doddington Hall.
- The new Let's Move Lincolnshire activity finder.
- A free Self-Harm and Suicide Prevention course at Lincoln College.
- Flu vaccination vouchers.
- Men's Health Awareness Week with a focus on men's mental health initiatives such as the support groups at Lincoln City Football Club
- Carers Week to raise awareness of the support available to those members of staff who have caring responsibilities for a family member or friend.

### Sickness performance

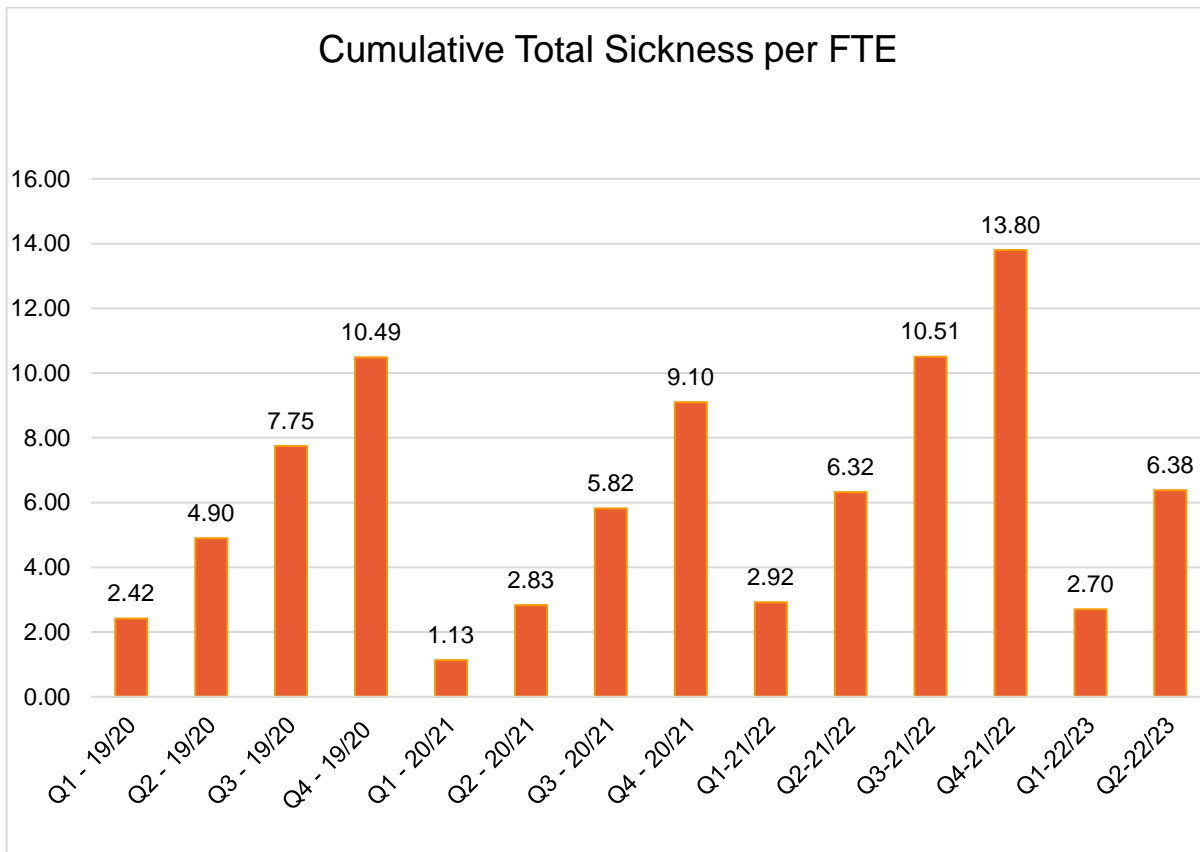
In quarter 2 2022/23 the average sickness absence rate increased to 3.68 days per FTE. This was an increase of 0.28 days when compared to the same quarter in 2021/2022, where the average sickness absence rate stood at 3.40 days per FTE.

When focusing specifically on the short-term sickness level, during quarter 2 short-term sickness increased by 0.41 days per FTE when compared to the same quarter in 2021/2022, reporting at 1.39 days per FTE. However, the long-term sickness level decrease in quarter 2 2022/23 by 0.13 days per FTE when compared to the same quarter in 2021/22, reporting at 2.29 days per FTE.

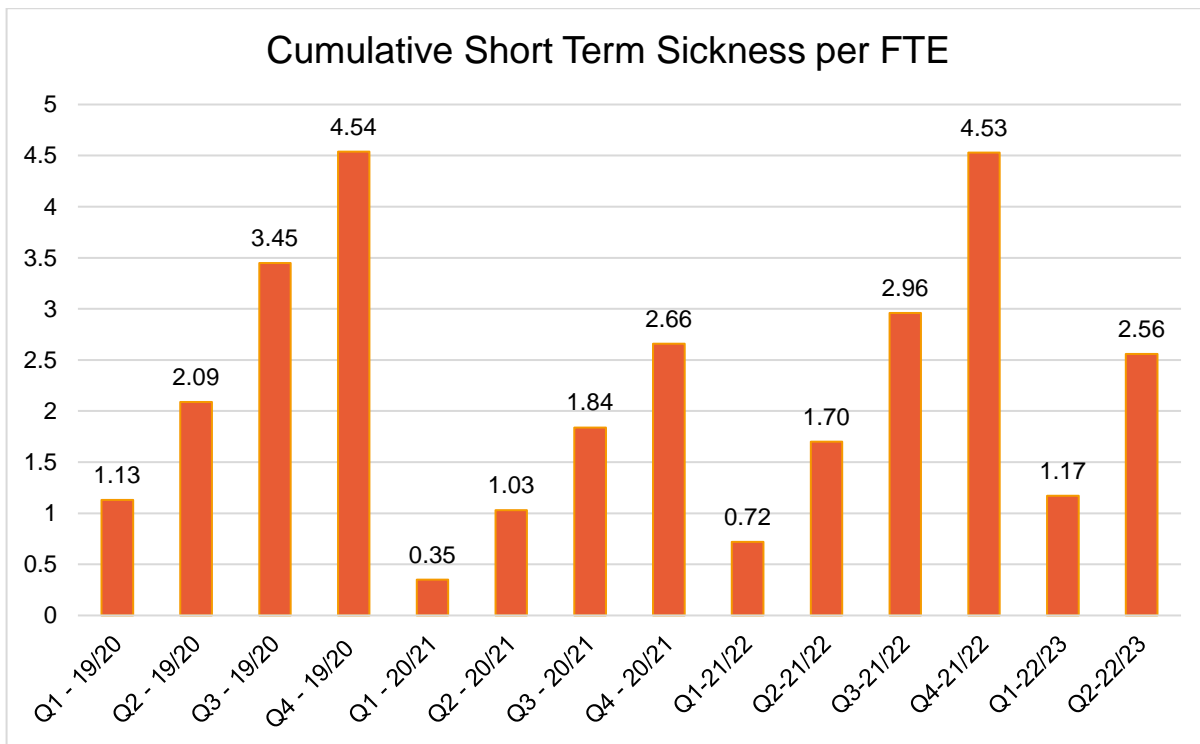
#### Quarter 2 2022/23 ONLY

Directorate	CX	DCE	DMD	DHI	Total (Excluding Apprentices)	Apprentice sickness
Short term days lost	218	176	6	343	743	12
Long term days lost	407.5	124	0	690	1,221.5	0
Total days lost	625.5	300	6	1,033	1,964.5	12
Number of FTE	162.87	129.09	13.7	228.49	534.15	6.41
Average short-term days lost per FTE	1.34	1.36	0.44	1.50	1.39	1.87
Average long-term days lost per FTE	2.50	0.96	0.00	3.02	2.29	0.00
Average total days lost per FTE	3.84	2.32	0.44	4.52	3.68	1.87

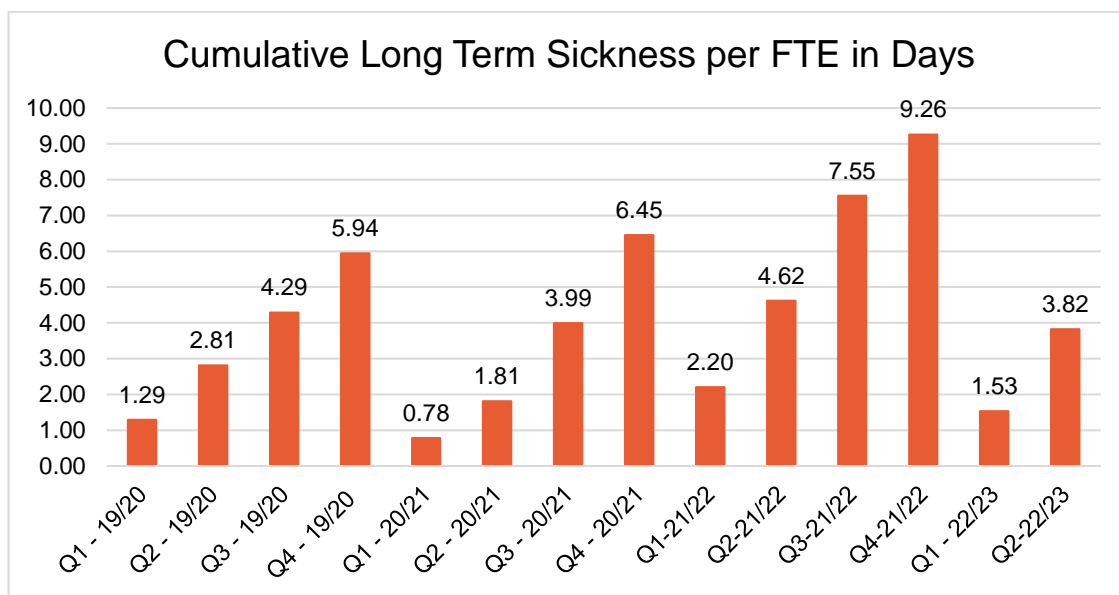
**Cumulative Total Sickness per FTE in days (excluding apprentices)**



**Cumulative Short-Term Sickness per FTE in days (excluding apprentices)**



## Cumulative Long-Term Sickness per FTE in days (excluding apprentices)



## Complaints performance

In quarter 2 2022/23 there were 129 complaints dealt with across the council, which was an increase of 39 complaints when compared to quarter 1 2022/23.

It is important to note that the timeframe for providing a response to Stage 1 and Start 2 complaints is as follows –

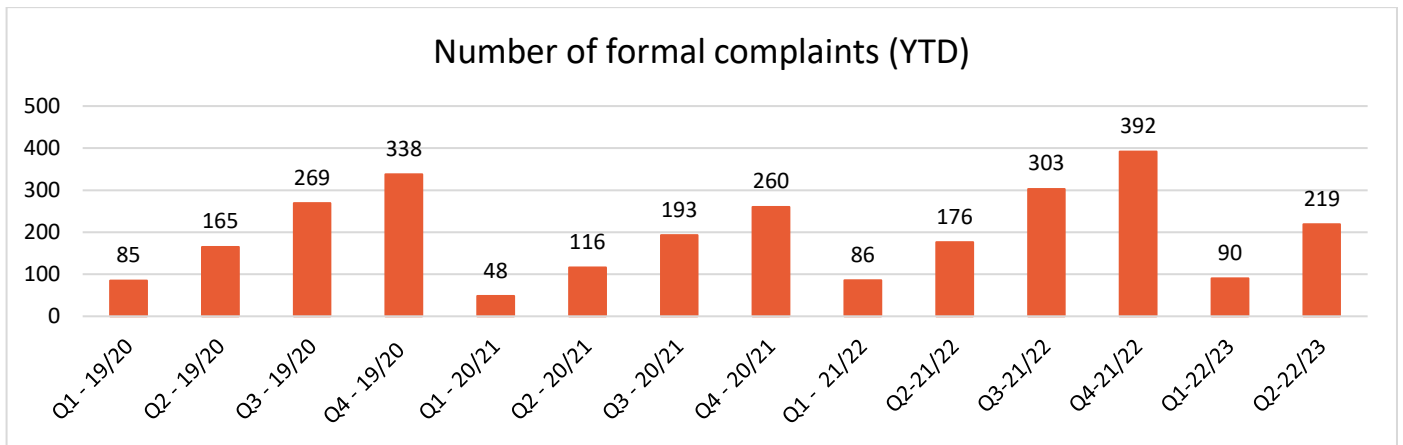
- Stage 1 - to be completed within 10 days
- Stage 2 - to be completed within 20 days.

As at the end of the quarter, the percentage of formal complaints, which were responded to within their target time across all directorates year to date, was 67% (147). In quarter 2 2022/23, there was one LGO complaint decided.

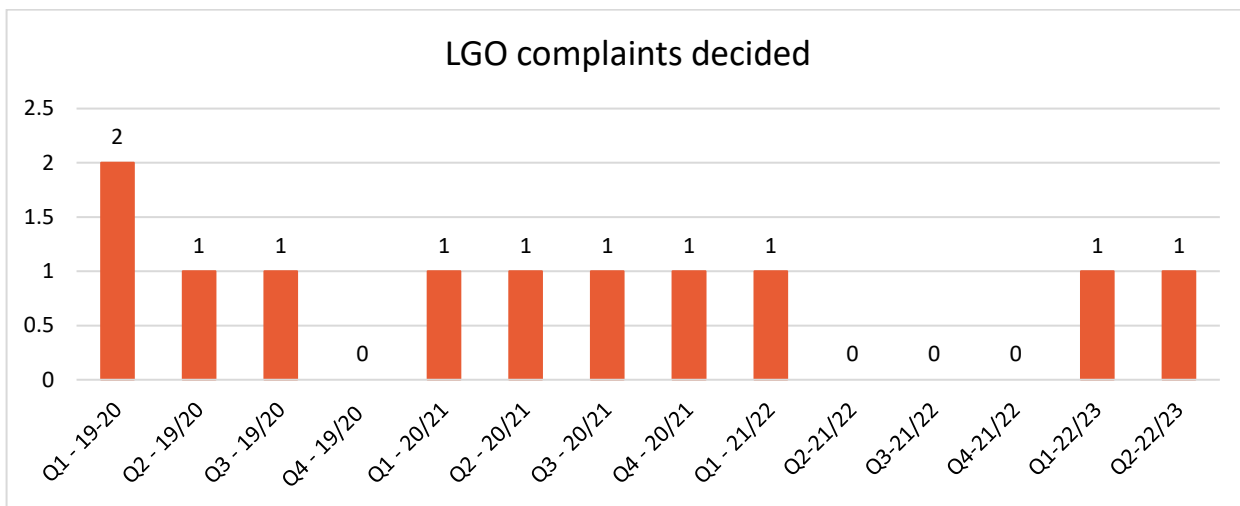
### Quarter 2 2022/23

	CX	DCE	DHI	DMD	TOTAL
<b>Number of Formal complaints dealt with this quarter (Q2)</b>	9	11	109	0	129
<b>Number of Formal complaints Upheld this quarter (Q2)</b>	3 (33%)	4 (36%)	79 (72%)	0 (0%)	86 (67%)
<b>YTD total number of complaints investigated Cumulative</b>	14	22	182	1	219
<b>YTD Number of Formal complaints Upheld</b>	7 (50%)	10 (45%)	113 (62%)	0 (0%)	130 (59%)
<b>% of responses within target time this quarter (Q2)</b>	8 (89%)	11 (100%)	58 (53%)	1 (100%)	78 (60%)
<b>% of responses within target time YTD</b>	12 (86%)	21 (95%)	113 (62%)	1 (100%)	147 (67%)
<b>LGO complaints decided (Q2)</b>	1	0	0	0	1
<b>LHO complaints decided (Q2)</b>	0	0	1	0	1

### Number of formal complaints (YTD)



### Local Government Ombudsman Complaints Decided



Performance Key

- G At or above target
- A Acceptable performance - results are within target boundaries
- R Below target
- V Volumetric / contextual measures that support targeted measures

- ▲ Performance has improved since last quarter / year
- ▬ Performance has stayed the same since last quarter / year
- ▼ Performance has deteriorated since last quarter / year



Quarterly measures

	Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status		Commentary
51	Communications	COM 1	Percentage of media enquiries responded to within four working hours	High is good	75	90	Q1 - 22/23le	76	Q2 - 22/23	82	%	A	▲	This quarter has seen ongoing requests received about the repair work being undertaken at Yarborough Leisure Centre and our likely completion date of Christmas 2022. The fire caused by a discarded battery in one of our refuse trucks also appeared to captivate the media. Our proactive partnership communications around the unveiling of the George Boole statue outside Lincoln's main railway station attracted attention and enquiries from all major media in the city and beyond. Our work to help the vulnerable during July's heatwave resulted in a flurry of media enquiries, as did our work on the cost of living leaflet later on in the quarter. Summer months tend to be quieter for media enquiries and this, along with the team being at full capacity, has meant that an increased number of these enquiries were able to be responded to within the four hours we aim for.
	Work Based Learning	WBL 1	Percentage of apprentices completing their qualification on time	High is good	95	100	Q1 - 22/23	0	Q2 - 22/23	100	%	G	▲	In Q2 2022/23 2/2 apprentices completed their apprenticeships on time (100%).
	Work Based Learning	WBL 2	Number of new starters on the apprenticeship scheme	High is good	8	10	Q2 - 21/22	2	Q2 - 22/23	5	Number	R	▲	We had 5 new starts within Q2. The cumulative figure up to Q2 is 6.
	Work Based Learning	WBL 3	Percentage of apprentices moving into Education, Employment or Training	High is good	90	95	Q1 - 22/23	0	Q2 - 22/23	100	%	G	▲	In Q2 2022/23 100% (2/2) of apprentices on programme moved into Employment Education or Training.
	Customer Services	CS 1	Number of face to face enquiries in customer services	N/A	Volumetric	Volumetric	Q1 - 22/23	40	Q2 - 22/23	30	Number	V		The number of face to face enquiries is lower when compared to the last quarter. 30 customers were seen in pre-booked appointments out of 144 seen by teams across the authority. Welfare saw 21.

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
Customer Services	CS 2	Number of telephone enquiries answered in Channel Shift Areas (Rev & Bens, Housing & Env. Services)	N/A	Volumetric	Volumetric	Q1 - 22/23	28,315	Q2 - 22/23	28,197	Number	V	Very similar to the last quarter. We have answered 3,911 refuse/environmental calls, 4,578 housing solutions/homeless calls, 8,912 housing calls, 10,796 council tax/benefit calls, and 486 other calls. Although the overall number is similar, we dealt with an extra 2,397 calls for council/tax/benefits, which is as a result of the £150.00 energy rebate. We have also received 6,585 emails; this method of contact is increasing and is dealt with by the same team.
Customer Services	CS 3	Average time taken to answer a call to customer services	Low is good	300	180	Q1 - 22/23	484	Q2 - 22/23	795	Seconds	R	▼ This is a longer wait than previous quarters. We have had vacancies during this period as previously reported in the last quarter. We have now filled the posts. Two new staff members start at the beginning of quarter three. There will be a period of training before performance improves. Frustratingly we now have two new vacancies, so with recruitment, appointing and training we are unlikely to improve performance in the next quarter.
Customer Services	CS 4	Average customer feedback score (telephone, face to face and e-mail enquiries)	High is good	80	90	Q1 - 22/23	-	Q2 - 22/23	67	%	R	— This is now an integrated survey across phones, face to face and emails. We received 180 responses in quarter two. There are two selected customers comments below:  - I was amazed at how caring and helpful your team was! - The lady I spoke to both times was so lovely, caring and professional. I'm facing homelessness, there was no judging, and she explained every step to me.
Accountancy	ACC 1	Average return on investment portfolio	High is good	0.15	0.25	Q1 - 22/23	0.90	Q2 - 22/23	1.64	%	G	▲ Bank of England rates continuing to increase so investment income is likely to continue to rise.
Accountancy	ACC 2	Average interest rate on external borrowing	Low is good	4.75	3.75	Q1 - 22/23	3.05	Q2 - 22/23	2.97	%	G	▲ Average current interest rate on borrowing for Q2 - interest rates are increasing so borrowing costs may increase in line.
Debtors & Creditors	DCT 1	Percentage of invoices paid within 30 days	High is good	95.00	97.00	Q1 - 22/23	98.11	Q2 - 22/23	97.01	%	G	▼ Figures are calculated on all supplier invoices and credit notes (not refunds or grants) paid 01/07/2022 - 30/09/2022. Figures are adjusted based on certain assumptions as below: -



Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												<p>1) No invoice collected for payment by supplier by direct debit or standing order is assumed to be late.</p> <p>2) No credit note taken by COLC outside of 30 days classified as late.</p> <p>3) 0.5% of those invoices paid over 30 days assumed to be in dispute at some point and hence paid late after dispute resolved not classified as late</p> <p>4) 1% of those invoices paid after 30 days were held back from payment because the overall balance with the supplier was in credit</p>
Debtors & Creditors	DCT 2	Percentage of invoices that have a Purchase Order completed	High is good	45	55	Q1 - 22/23	56	Q2 - 22/23	59	%	G	▲ Based on supplier expenditure ONLY: invoices dated between 01/07/2022 and 30/09/2022. Excluded are Gas, Water and Electricity bills where purchase orders are not required. Number of invoices included 2,825 of which 1,662 were linked to either an Agresso or UH (universal housing) order number.
Debtors & Creditors	DCT 3	Average number of days to pay invoices	Low is good	30	15	Q1 - 22/23	13	Q2 - 22/23	14	Days	G	▼ Figures are calculated on all supplier invoices and credit notes paid 01/07/2022 - 30/09/2022.
Revenues Administration	REV 1	Council Tax - in year collection rate for Lincoln	High is good	50.00	51.50	Q2 - 21/22	49.58	Q2 - 22/23	52.16	%	G	▲ This is an improvement of 2.58% on the end of Q2 for 2021-22. There may be a number of reasons for this increase, which include the application of covid hardship relief of £207k onto a number of council tax accounts - this figure equates to only 0.4%. We have also applied a number of the Energy Rebates onto the Council Tax accounts where customers did not request a refund. This ensures that the customer did not miss out on the rebate. We added 7,365 such payments to the council tax accounts. Just under 2,000 of these are customers who are on full council tax support or have already cleared their 2022-23 liability and therefore are expected to make a request for a refund (these equate to about 0.6% of the 'collection' figures).
Revenues Administration	REV 2	Business Rates - in year collection rate for Lincoln	High is good	54.00	57.00	Q2 - 21/22	55.70	Q2 - 22/23	62.99	%	G	▲ This is an improvement of 7.29% on last year's figures for end of Q2. There will be a number of reasons for this including the application of Covid-19 Additional Relief Fund. Approximately £852k rate relief was backdated into 2021-22 and where

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												customers have effectively overpaid 2021-22 due to this additional relief, credits will be overinflating the 2022-23 collection at this point. £852k equates to roughly 2% of the liability for 2022-23.
Revenues Administration	REV 3	Number of outstanding customer changes in the Revenues team	Low is good	1,800	1,400	Q2 - 21/22	3,737	Q2 - 22/23	3,025	Number	R	<p>▲ This is the number of documents outstanding in Enterprise - 3,025 for Lincoln. For almost a whole week in September we were unable to process correspondence due to an East Midlands Internet provider outage which reduced access to our systems. This will have adversely affected the number of documents outstanding.</p> <p>For the whole of both quarter 1 and quarter 2 resource has been moved from the day-to-day activities to deal with the Mandatory Energy Rebate and overtime has been offered to try to keep the backlog created by this scheme to a minimum.</p> <p>The outstanding correspondence level should improve soon as the system access appears to be resolved and the Mandatory Energy Rebate scheme is coming to an end. Resources can be moved from this scheme onto normal day to day activities. The Discretionary Energy Rebate scheme is still ongoing but is a considerably smaller scheme and does not require the same level of resource.</p>
Housing Benefit Administration	BE 1	Average (YTD) days to process new housing benefit claims from date received	Low is good	20.00	18.50	Q2 - 21/22	17.50	Q2 - 22/23	16.41	Days	G	▲ Slight improvement in performance as levels of outstanding work decrease.
Housing Benefit Administration	BE 2	Average (YTD) days to process housing benefit claim changes of circumstances from date received	Low is good	9.00	7.00	Q2 - 21/22	5.49	Q2 - 22/23	6.44	Days	G	▼ There has been a slight increase in the number of days to process housing benefit claim changes of circumstances. This was due to the amount of outstanding work within the team being slightly higher than at the same time last year.
Housing Benefit Administration	BE 3	Number of Housing Benefits / Council Tax support customers awaiting assessment	Low is good	2,000	1,800	Q2 - 21/22	1,411	Q2 - 22/23	1,502	Number	G	▼ 1,502 customers awaiting assessment, of which 1,169 are waiting a first contact from the council. Outstanding work has decreased within the team as annual up ratings and rent increases have been dealt with.

	Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
	Housing Benefit Administration	BE 4	Percentage of risk-based quality checks made where Benefit entitlement is correct	High is good	88.00	91.00	Q2 - 21/22	95.26	Q2 - 22/23	95.56	%	G	▲ Large amount of Quality Checks have been done over the last quarter.
	Housing Benefit Administration	BE 5	The number of new benefit claims year to date (Housing Benefits/Council Tax Support)	N/A	Volumetric	Volumetric	Q1 - 22/23	1,056	Q2 - 22/23	2,251	Number	V	499 Housing Benefit and 1,752 Council Tax reduction new claims have been received so far in 2022.
DCE	Affordable Housing	AH1	Cumulative number of affordable homes delivered	High is good	15	45	Q1 - 20/21	109	Q2 - 22/23	0	Number	R	▼ There were no housing schemes which met the threshold/criteria for delivering affordable housing. It is only where there are sites of 11 houses, or more being built where affordable housing contributions are sought. This is set out in Policy LP11 of the current adopted Central Lincolnshire Local Plan.  We are expecting some AH delivery during Q3 from the Romangate site (near Waitrose), which is a large housing site currently being built up by Taylor Lindsey.
	Food and Health & Safety Enforcement	FHS 1	Percentage of premises fully or broadly compliant with Food Health & Safety inspection	High is good	95.00	97.00	Q1 - 22/23	98.15	Q2 - 22/23	98.64	%	G	▲ This measure still should be treated with some caution as we are still operating in accordance with the FSA Recovery Plan. The number of businesses that are included is 738 of the total businesses 1,121 that are food registered in the city. What we can report is that there is a focus on less compliant businesses in the city - currently there are 10 businesses that are non-compliant, and we continue to work with them to get them to a level that is at least broadly compliant.
	Food and Health & Safety Enforcement	FHS 2	Average time from actual date of inspection to achieving compliance	Low is good	15.00	10.00	Q1 - 22/23	14.55	Q2 - 22/23	12.86	Days	A	▲ There continues to be an improvement in the average time taken to get a food business compliant. We prioritise inspections within the scope of the FSA Recovery Plan, then businesses within the Lincoln Recovery Plan. There were 146 businesses inspected in this quarter.
	Food and Health & Safety Enforcement	FHS 3	Percentage of food inspections that should have been completed and have been in that time period	High is good	85	97	Q1 - 22/23	100	Q2 - 22/23	100	%	G	— All of the businesses that fell within the scope of the FSA Recovery Plan were completed. The team were able to focus on inspecting businesses that had not been inspected during lockdown periods. 146 inspections were carried out during this quarter.

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
Development Management (Planning)	DM 1	Number of applications in the quarter	N/A	Volumetric	Volumetric	Q1 - 22/23	218	Q2 - 22/23	231	Number	V	There has been a small increase in applications submitted keeping a fairly consistent pattern at the moment.
Development Management (Planning)	DM 2	End to end time to determine a planning application (Days)	Low is good	85.00	65.00	Q1 - 22/23	87.86	Q2 - 22/23	105.21	Days	R	▼ Increase in end-to-end times that reflects both the complexity of some of the proposals determined in the quarter as well as the fact that we are currently carrying a vacancy within the team.
Development Management (Planning)	DM 3	Number of live planning applications open	Low is good	180	120	Q1 - 22/23	126	Q2 - 22/23	120	Number	G	▲ Live applications remain fairly consistent in this quarter.
Development Management (Planning)	DM 4	Percentage of applications approved	High is good	85	97	Q1 - 22/23	95	Q2 - 22/23	97	%	G	▲ High approval rate is maintained due to the effectiveness of pre-application screening and officer negotiation.
Development Management (Planning)	DM 5	Percentage of decisions on planning applications that are subsequently overturned on appeal	Low is good	10	5	Q1 - 22/23	0	Q2 - 22/23	0	%	G	▬ Continued strong appeal performance reflecting the quality of decisions made.
Development Management (Planning)	DM 6	Percentage of Non-Major Planning Applications determined within the government target (70% in 8 weeks) measured on a 2 year rolling basis	High is good	70	90	Q1 - 22/23	84.2	Q2 - 22/23	88.3	%	A	▲ This figure remains high at the moment in the quarter, but it is likely to dip as the effects of reduced staffing resource start to take effect on overall performance.
Development Management (Planning)	DM 7	Percentage of Major Planning Applications determined within the government target (60% in 13 weeks) measured on a 2 year rolling basis	High is good	60.0	90.0	Q1 - 22/23	89.3	Q2 - 22/23	84.2	%	A	▼ This figure remains high at the moment in the quarter but is likely to dip as the effects of the reduced staffing resource start to take effect on overall performance.
Private Housing	PH 1	Average time in weeks from occupational therapy notification to completion of works on site for a DFG grant (all DFG's exc. extensions)	Low is good	26.0	19.0	Q1 - 22/23	30.4	Q2 - 22/23	29.4	Weeks	R	▲ 29 adaptations have been completed between April and end of September. The measure is the time in weeks from when the first Occupational Therapy (OT) notification is received. The time from when the application is approved (and this means that all design has been agreed with the OT and the client, a contractor has priced and accepted the work) to works being completed is 12.4 weeks. There were 35 cases that have been assigned to case officers and 22 are awaiting allocation to a case officer. This measure has been

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												performing at RED for a number of quarters and this is unlikely to improve in the next quarter as a Technical Officer has resigned and we will be running the service with a decrease in staffing resources.
Private Housing	PH 2	Average time from date of inspection of accommodation to removing a severe hazard to an acceptable level	Low is good	20.0	12.0	Q1 - 22/23	15.1	Q2 - 22/23	20.4	Weeks	R	During this quarter 41 housing disrepair/condition cases were resolved. Park and Abbey wards still have the highest private rented accommodation complaints in the city with 61% recorded into these 2 wards. The team is managing a number of workstreams, such as HMO licencing, licence condition visits, Home for Ukraine checks and housing assistance applications and this is impacting on the time taken to get issues resolved.
Private Housing	PH 3	Number of empty homes brought back into use (YTD)	High is good	8	18	Q2 - 21/22	12	Q2 - 22/23	16	Number	A	11 properties were successfully bought back into use during this quarter.
Public Protection and Anti-Social Behaviour Team	PPASB 1	Number of cases received in the quarter (ASB cases only)	N/A	Volumetric	Volumetric	Q1 - 22/23	128	Q2 - 22/23	133	Number	V	This is a 51.14% increase compared to the amount of ASB cases received in Q2 of 21/22. It is comparable with the Q1 figure for 22/23 but will need to be monitored over the second half of 22/23.
Public Protection and Anti-Social Behaviour Team	PPASB 2	Number of cases closed in the quarter (across full PPASB service)	N/A	Volumetric	Volumetric	Q1 - 22/23	953	Q2 - 22/23	1,036	Number	V	This figure is up 22% compared with Q2 of 21/22. The team have received 1,134 cases in this quarter (Q2 of 22/23), which is up 6.47% compared with the Q2 figure of 21/22.
Public Protection and Anti-Social Behaviour Team	PPASB 3	Number of live cases open at the end of the quarter (across full PPASB service)	Low is good	260	220	Q1 - 22/23	282	Q2 - 22/23	208	Number	G	This is a 26.24% decrease compared to Q1 of 22/23 and a 10.05% increase when compared to Q2 of 21/22. The decrease from Q1 22/23 is positive and demonstrates that the team is managing the incoming cases effectively. The team has been short staffed and missing both the Team Leader and Service Manager for a large section of Q2 22/23. The Team Leader is going to work closely with the team to ensure that all cases are reviewed regularly.
Public Protection and Anti-Social Behaviour Team	PPASB 4	Satisfaction of complainants relating to how the complaint was	High is good	75	85	Q1 - 22/23	0	Q2 - 22/23		%	Data not available	Satisfaction surveys have not been being sent to customers. The trial was unsuccessful due to satisfaction surveys being sent to all customer who contacted the PPASB team, regardless of their query or whether or not the PPASB team handed



Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
		handled (across full PPASB service)										the complaint to another team (for example housing cases). This needs some work to agree on which pool of customers are sent satisfaction surveys and how the system can accommodate. The new Service Manager and Team leader will aim to progress this.
Sport & Leisure	SP 1a	Quarterly visitor numbers to Birchwood Leisure Centre	N/A	Volumetric	Volumetric	Q1 - 22/23	33,468	Q2 - 22/23	37,616	Number	V	Birchwood usage is up on Q1 by 4,148. In comparison Q2 pre pandemic usage is approximately 65%. In comparison to last year Q2 usage is up 8%.
Sport & Leisure	SP 1b	Quarterly visitor numbers to Yarborough Leisure Centre	N/A	Volumetric	Volumetric	Q1 - 22/23	51,958	Q2 - 22/23	60,934	Number	V	At quarter 2 Yarborough Leisure Centre was at 32% of pre-pandemic levels for this time of year and up 17% on Q1 this year. The main swimming pool remains closed for essential repairs, which continues to lower the attendance significantly. Work will be commencing this month with a predicted reopening being around Christmas time (the works are bespoke and as such can only be estimated).
Sport & Leisure	SP 2	Artificial Grass Pitch usage at Yarborough Leisure Centre & Birchwood Leisure Centre	High is good	520	650	Q1 - 22/23	689	Q2 - 22/23	635	Hours	A	▼ Q2 total slots used at Birchwood Leisure Centre was 530 bookings, which was approximately 55% capacity. Yarborough Leisure Centre was 105 bookings, which was 11% capacity. This was down due to an original daytime booking leaving Yarborough as their own pitch/s have now been refurbished and this space has not been refilled. It is important to note that nationally grass pitch usage is operating at 70% pre-pandemic levels.
Sport & Leisure	SP 3a	Customers who would recommend Birchwood Leisure Centre	High is good	62	70	Q1 - 22/23	77	Q2 - 22/23	81	%	G	▲ Q2 National Bench Marking Score 39 Active Nation Organisational Target 40 Active Nation Organisational Average Score 32. Birchwood Bench Marking Score 43 (No. 1 in the Active Nation organisation) 81% of customers who replied to the survey would recommend Birchwood Leisure Centre This quarter a mystery shopper has attended Birchwood, the customer service has received a score of 94.6%.
Sport & Leisure	SP 3b	Customers who would recommend Yarborough Leisure Centre	High is good	62	70	Q1 - 22/23	50	Q2 - 22/23	55	%	R	▲ Quarterly National Bench Marking Score 39, Active Nation Organisational Target 40, Active Nation Average Score 32, Yarborough Average Score -3

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												55% of customers would recommend Yarborough Leisure Centre. This score has dropped since the temporary closure of the pool, with most of the negative feedback being related to the pool not being in use.
CCTV	CCTV 1	Total number of incidents handled by CCTV operators	N/A	Volumetric	Volumetric	Q1 - 22/23	2,628	Q2 - 22/23	2,462	Number	V	The number of cameras operated by the service has risen to 522. The increase is the result of an upgrade at Trent View & Jarvis House flats. The aim to present the CCTV department as an open and transparent service has been successful with numerous visits by various organisations. With regard to incidents, public order, shoplifting, and mental health continue to produce the highest incident numbers.
Waste & Recycling	WM 1	Percentage of waste recycled or composted	High is good	36	39	Q2 - 21/22	35.39	Q2 - 22/23	35	%	R	▼ This figure relates to Quarter 1 (April 2022 - June 2022). 16.80% has been recorded as waste being recycled, whereas 18.20% was recorded as waste being composted, equating to 35% being composted or recycled.
Waste & Recycling	WM 2	Contractor points achieved against target standards specified in contract - Waste Management	Low is good	150	50	Q1 - 22/23	75	Q2 - 22/23	130	Number	A	▼ 130 points were recorded in the new quarter. This has been broken down into 40 points in July, 40 points in August and 50 points in September. These points were mostly in connection to missed assisted waste collections.
Street Cleansing	SC 1	Contractor points achieved against target standards specified in contract - Street Cleansing	Low is good	150	50	Q1 - 22/23	150	Q2 - 22/23	105	Number	A	▲ Points were recorded as 30 in July, 45 in August and 30 in September, resulting in 105 for the quarter. These points were mostly in connection to full litter and dog waste bins.
Grounds Maintenance	GM 1	Contractor points achieved against target standards specified in contract - Grounds Maintenance	Low is good	150	50	Q1 - 22/23	75	Q2 - 22/23	45	Number	G	▲ The collective points totalled to 45. This has been broken down into 20 in July, 5 in August and 20 in September. Majority of points were a combination of grass cutting (missed or poor quality) and fairly small maintenance issues.
Allotments	AM 1	Percentage occupancy of allotment plots	High is good	84	92	Q1 - 22/23	94	Q2 - 22/23	96	%	G	▲ As at the end of September 2022, 1,075 plots of a total 1,172 were let. Of the 1,172 total plots, 1,118 plots are currently lettable. 1,075 occupied lettable plots equates to 96% occupancy rate. There continues to be a steady demand for allotment tenancies (this may increase dramatically if the

	Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
													cost-of-living crisis continues in the long-term). Most of the allotment sites currently have waiting lists for plots now, and when plots become available, we try to re-let the plots to those on the waiting lists as quickly as possible.  New charge levels introduced in February 2022 do not, as yet, seem to have had a major impact on demand.
	Parking Services	PS 1	Overall percentage utilisation of all car parks	High is good	50	60	Q1 - 22/23	46.00	Q2 - 22/23	47	%	R	▲ This quarter covers the main summer school holidays. Uphill car parks have done well this quarter with the tourist season and then with one of the University of Lincoln graduation days falling on the September survey date.
	Parking Services	PS 2	Number of off street charged parking spaces	N/A	Volumetric	Volumetric	Q1 - 22/23	3,771.00	Q2 - 22/23	3,771	Number	V	No change to the number of spaces.
	Licensing	LIC 1	Total number of committee referrals (for all licensing functions)	N/A	Volumetric	Volumetric	Q1 - 22/23	5.00	Q2 - 22/23	2	Number	V	Two Private Hire drivers - both for accruing points for driving offences.
	Licensing	LIC 2	Total number of enforcement actions (revocations, suspensions and prosecutions)	N/A	Volumetric	Volumetric	Q1 - 22/23	3.00	Q2 - 22/23	0	Number	V	No enforcement actions of this nature were taken during this quarter.
DHI	Housing Investment	HI 1	Percentage of council properties that are not at the 'Decent Homes' standard (excluding refusals)	Low is good	1.5	1.0	Q1 - 22/23	0.93	Q2 - 22/23	1.6	%	R	▼ At the end of the quarter, we had 125 non decent properties which excludes refusals. The breakdown consists of 32 doors, 56 windows, 37 electrics and 1 roof (1 property fails both door and windows). We saw a reduction in non-decent properties from the previous month, this was mainly as a result doors and windows installed in September and all previous failures for Chimneys now being resolved.
	Housing Investment	HI 2	Number of properties 'not decent' as a result of tenants refusal to allow work (excluding referrals)	N/A	Volumetric	Volumetric	Q1 - 22/23	222.00	Q2 - 22/23	249	Number	V	The level of refusals is recorded but cannot be controlled by the Council. We have had an increase of 27 since the end of quarter one.
	Housing Investment	HI 3	Percentage of dwellings with a valid gas safety certificate	High is good	98.20	99.20	Q1 - 22/23	98.89	Q2 - 22/23	99.69	%	G	▲ We have seen an increased in no access to carry out a gas safety check within our stock. This is a trend since the Covid-19 pandemic, and we are



Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												following the correct protocols with the tenancy and Legal teams.
Control Centre	CC 1	Percentage of customers satisfied with their new Lincare Housing Assistance service connection to the control centre	High is good	90	95	Q1 - 22/23	0	Q2 - 22/23		%	Data not available	The team originally didn't have the required info to send out the surveys. This has now been resolved and the team has already sent out around 60 surveys for new lifelines installed in September and October – data will be supplied for Q3.
Control Centre	CC 2	Percentage of Lincare Housing Assistance calls answered within 60 seconds	High is good	97.50	98.00	Q1 - 22/23	98.09	Q2 - 22/23	97.87	%	A	Performance remains above the Telecare Accredited Body target. In September we did encounter some IT and broadband issues which affected our performance causing a slight dip compared to quarter one.
Rent Collection	RC 1	Rent collected as a proportion of rent owed	High is good	92.50	95.00	Q2 - 21/22	97.61	Q2 - 22/23	97.69	%	G	Income collected as a percentage has exceeded target and reached 97.69% for the end of Q2.
Rent Collection	RC 2	Current tenant arrears as a percentage of the annual rent debit	Low is good	4.65	4.55	Q1 - 22/23	4.16	Q2 - 22/23	4.76	%	R	The arrears as a percentage of the debit is marginally above target with 4.76% achieved. Arrears are normally at their highest at this time with a reduction due at the end of Q3 and Q4 due to the rent-free weeks. Increased numbers of tenant are migrating over to UC meaning increasing arrears and the heightened costs of living has put pressure on households. The national period of mourning almost meant a hiatus in arrears collection which has had an impact on collection.
Housing Solutions	HS 1	The number of people currently on the housing waiting list	N/A	Volumetric	Volumetric	Q1 - 22/23	1,558.00	Q2 - 22/23	1,574	Number	V	We are currently receiving increased numbers of applications to the Housing Register. This is likely due to local residents trying to reduce their monthly outgoings due to the current cost of living crisis.
Housing Solutions	HS 2	The number of people approaching the council as homeless	N/A	Volumetric	Volumetric	Q1 - 22/23	204.00	Q2 - 22/23	631	Number	V	Homelessness approaches continue to be higher than normal. Family and friends are no longer able to accommodate, and private rented accommodation is becoming unaffordable with the increase in utility bills plus other costs of living increases. It is important to note homelessness applications are increasing nationally and we have seen an increase in line with national averages.

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
Housing Solutions	HS 3	Successful preventions and relief of homelessness against total number of homelessness approaches	High is good	45.00	50.00	Q1 - 22/23	49.49	Q2 - 22/23	41.24	%	R	▼ It is increasingly difficult to prevent or relieve homelessness into anything other than council accommodation as most of our applicants are not able to afford privately rented accommodation. We currently have high numbers of applicants waiting for suitable social housing. It is important to note homelessness applications are increasing nationally and we have seen an increase in line with national averages.
Housing Voids	HV 1	Percentage of rent lost through dwelling being vacant	Low is good	1.00	0.90	Q1 - 22/23	1.15	Q2 - 22/23	1.42	%	R	▼ Rent lost as a percentage due to dwellings being vacant is currently 1.42%, which is behind target. The teams are working to turn properties around as quickly as possible. The team are receiving a higher number of keys in than the same point last year meaning higher pressure on resources.
Housing Voids	HV 2	Average re-let time calendar days for all dwellings - standard re-lets	Low is good	34.00	32.00	Q1 - 22/23	37.26	Q2 - 22/23	39.04	Days	R	▼ The re-let time for standard dwellings is behind target but has improved compared to the same point last financial year. The voids team have faced an increase in the number of properties post pandemic. Keys are now coming in at around 10 sets per week. Some dwelling are in poor condition and therefore needing a considerable amount of works. Some contractors have struggled to meet this demand due to the current market condition regarding labour shortages in the construction sector. This is also affecting many local authorities. There have also been some delays with asbestos and sign ups where trying to accommodate tenants who are struggling to move. The teams are working to bring this closer to target for Q3.
Housing Voids	HV 3	Average re-let time calendar days for all dwellings (including major works)	Low is good	40.00	38.00	Q1 - 22/23	50.71	Q2 - 22/23	50.30	Days	R	▲ There has been a slight reduction in over-all relet times from 50.71 days in Q1 although this is still behind target. There have been a number of challenges faced by the teams and a high number of transfers this quarter due to De Wint Court sign ups. The team is working to reduce the overall number of days and contractors have placed additional labour into properties where necessary.
Housing Maintenance	HM 1a	Percentage of reactive repairs completed within target time (priority 1 day only)	High is good	98.50	99.50	Q1 - 22/23	99.50	Q2 - 22/23	99.47	%	A	▼ Performance is slightly below the target of 99.5%. Since April there are 10 priority repairs that were completed outside the 24-hour window. HRS are continually monitoring the volume of priority repairs and ensuring tickets are being closed down when

Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
												repairs are made safe.  The repairs service is experiencing issues with the repairs booked in on the DRS systems and its links to Universal Housing. Some Asbestos information, job descriptions and time allocations are not transferring on to DRS or the mobile devices and more manual input is required until the replacement system is in place. This has impacted across measure HM 1a, HM 1b, HM 2 and HM 4, although the impact is slightly different across the measures.
Housing Maintenance	HM 1b	Percentage of reactive repairs completed within target time (urgent 3 day repairs only)	High is good	95.00	97.50	Q1 - 22/23	96.71	Q2 - 22/23	96.92	%	A	▲ Performance is slightly below target; however, we have seen a marginal improvement during quarter two. We are analysing the types of repairs that are being assigned as urgent tickets to ensure these are true urgent repairs and to see if we can identify any changes we can make in the process as we are receiving a high volume of priority and urgent repairs.
Housing Maintenance	HM 2	Percentage of repairs fixed first time (priority and urgent repairs) - HRS only	High is good	90.00	93.00	Q1 - 22/23	92.04	Q2 - 22/23	91.23	%	A	▼ We suffered a dip in performance in the month of August with a number of repairs requiring a second visit. Work is ongoing on adding some further codes to the system so we can determine the need for further visits i.e., the need for a secondary trade, insufficient time to complete on the first visit.
Housing Maintenance	HM 3	Percentage of tenants satisfied with repairs and maintenance	High is good	94.00	96.00	Q1 - 22/23	88.57	Q2 - 22/23		%	Data not available	There is an issue with DRS (works allocation system) pulling customer contact numbers across from the Universal Housing system so the team is unable send out the SMS texts – a call has been logged to Kirona the software supplier.
Housing Maintenance	HM 4	Appointments kept as a percentage of appointments made (priority and urgent repairs) - HRS only	High is good	95.00	97.00	Q1 - 22/23	99.07	Q2 - 22/23	98.76	%	G	▼ Performance levels remain consistent with previous quarters. Despite this we still scrutinise when we do miss appointments to see if it's a resource, training, or communication issue.
Business Development	BD 1	Number of users logged into the on-line self-service system this quarter	High is good	10,000	11,000	Q1 - 22/23	11,424	Q2 - 22/23	9,958	Number	R	▼ Similar levels to previous periods. Replacement system project is about to commence which will mean the PI needs to be reconsidered when in place.

	Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Quarter	Current Value	Unit	Status	Commentary
	IT	ICT 1	Number of calls logged to IT helpdesk	N/A	Volumetric	Volumetric	Q1 - 22/23	957	Q2 - 22/23	861	Number	V	Change largely due to implementation of new email filtering software, which has resulted in less manual intervention being required.
	IT	ICT 2	Percentage of first time fixes	N/A	Volumetric	Volumetric	Q1 - 22/23	60.30	Q2 - 22/23	58	%	V	Slight reduction, but still around the same level as normally expected.

### Annual measures

	Service Area	Measure ID	Measure	High Or Low	Low Target	High Target	Previous Data Period	Previous Value	Current Year	Current Value	Unit	Status	Commentary
DCE	Grounds Maintenance	GM 2	Satisfaction with play areas, parks and open spaces (collected via Citizens' Panel)	High is good	85.00	90.00	2021/22	77.80	2022/23	80.00	%	R	80% of respondents reported being very satisfied or satisfied with the overall management of our parks and open spaces.
	Street Cleansing	SC 2	Satisfaction that public land and public highways are kept clear of litter and refuse (Street Cleansing) (collected via Citizens' Panel)	High is good	68.00	80.00	2021/22	62.50	2022/23	72.80	%	A	Citizens' Panel results show 72.8% of those asked were satisfied or very satisfied with the cleanliness of highways and open spaces.

<b>SUBJECT:</b>	<b>FINANCIAL PERFORMANCE – QUARTERLY MONITORING</b>
<b>REPORT BY:</b>	<b>CHIEF EXECUTIVE &amp; TOWN CLERK</b>
<b>LEAD OFFICER:</b>	<b>JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

**1. Purpose of Report**

- 1.1. To present to the Executive the second quarter’s performance (up to 30<sup>th</sup> September), on the Council’s:
- General Fund
  - Housing Revenue Account
  - Housing Repairs Service
  - Capital Programmes

And to seek approval for changes to the capital programmes.

- 1.2. Financial Procedure Rules require members to receive, on a quarterly basis, a report prepared jointly by the Chief Finance Officer and Corporate Management Team commenting on financial performance to date. This report is designed to meet this requirement.

**2. Executive Summary**

- 2.1. This report covers the General Fund Revenue, Housing Revenue Account budgets and Investment Programmes for the current financial year.
- 2.2. The Council approved a balanced budget earlier this year, but much has changed since that point. Spiralling inflation, soaring energy prices and nationally agreed pay agreements are set to add significant cost pressures to the Council’s budgets. These are in the main part caused by national issues, beyond the Council’s control, and are impacting all Councils. In addition, the current cost of living crisis has the potential to increase demand for the Council’s services by those who rely on the safety net provided by local government. These unforeseen and unavoidable pressures have seriously impacted the assumptions that underpin the MTFS. As a result of these pressures, the General Fund is currently forecasting a significant financial shortfall for 2022/23, with cost pressures also in the Housing Revenue Account and Housing Repairs Service.
- 2.3. The impact of these new financial pressures the Council is facing cannot be underestimated and are not solely related to 2022/23. These inflationary increases will permanently increase the cost base of the Council and will have implications for the Medium-Term Financial Strategy and, in the absence of additional financial

support from Central Government, will have implications for the range and level of services that the Council can continue to provide.

- 2.4. As a result, the Council is developing a range of mitigation actions, as part of a financial recovery programme, to ensure it retains a sustainable financial position in 2022/23 and in the medium-term. Alongside this the Council is continuing to lobby Central Government for funding to support councils through these inflationary pressures, and for long-term sustainable funding settlements for local government.
- 2.5. As in recent years, there will continue to be a need for strong budgetary control in this financial year to balance expenditure and income within budget.
- 2.6. Whilst there are a significant number of planning variables which are subject to unprecedented levels of uncertainty, based on the latest set of assumptions as at the end of the second quarter (up to 30th September) the forecast financial position of the Council for 2022/23 is:

Revenue Accounts	2022/23		
	Budget £'000	Forecast @ Q2 £'000	Variance @ Q2 £'000
General Fund – Contribution (to)/from balances	(61)	852	913
Housing Revenue Account (HRA) – Contribution (to)/from balances	(39)	134	173
Housing Repairs Service	0	0	0

Capital Programmes	2022/23		
	Budget following Q1 Report £'000	Revised Budget @ Q2 £'000	Movement @ Q2 £'000
General Investment Programme	32,342	30,156	(2,186)
Housing Investment Programme	23,247	22,133	(1,114)

Reserves and Balances	2022/23		
	Balance @ 01/04/22 £'000	Forecast Balance @ 31/03/23 £'000	Movement £'000
General Fund Balances	(2,202)	(1,350)	913
Housing Revenue Account Balances	(1,064)	(891)	173
Housing Repairs Service Balances	0	0	0
General Fund Earmarked Reserves	(12,668)	(7,583)	5,085
HRA Earmarked Reserves	(2,876)	(2,703)	173

- 2.7. The detailed financial position is shown in sections 3-7 and accompanying appendices.

### 3. General Fund Revenue Account

- 3.1. For 2022/23 the Council's net General Fund revenue budget was set at £8,907,490 including a planned contribution to balances of £60,700 resulting in an estimated level of general balances at the year-end of £2,262,761 (after allowing for the 2021/22 outturn position).
- 3.2. The General Fund Summary is currently projecting a forecast overspend of £912,511 (Appendix A provides a forecast General Fund Summary), resulting in general balance at the year-end of £1,350,250. This would result in balances being below the prudent minimum of c£1.5-£2m. The use of earmarked reserves to maintain balances above the prudent minimum will be further considered in the third quarters financial performance report.
- 3.3. There are a number of forecast year-end variations in income and expenditure against the approved budget, full details of the main variances are provided in Appendix B while the table below sets out the key variances:

<b>General Fund Forecast year-end key variances:</b>	<b>Forecast £'000</b>
Pay award settlement	585
Release of inflation reserve	(150)
Contractual inflation increases	97
Energy inflation increases	186
Impact of YLC pool closure	308
Interest on Investments	(295)
Net other variances	182
<b>Overall forecast budget deficit/(surplus)</b>	<b>913</b>

- 3.4. These key variances are predominately driven by the rapidly escalating levels of inflation and the impact of external economic factors, which were unforeseen and far exceed the assumptions underpinning the MTFs. The key variances cover:
- Contractual services for key front line service provision, which 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.
  - Escalating costs of 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 c70% since April 2022 and electricity prices are estimated to increase between 80-100% from October 2022. Further details of the impact of the Energy Bill Relief Scheme on the Council's energy rates are still awaited. However, this will only be applicable to the Council's electricity supplies as the prices secured for its gas supplies are below the cap level for energy relief support.

- 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. The pay deal will see 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 set to receive pay rises above 5%.
- Investment income – as a result of the rising Bank of England Base Rate, which has further increased to 3%, the level of interest earned on the Council's cash balances has increased significantly. At present there has been limited consequent impact on the cost of borrowing all debt is at fixed rates and no new borrowing has been undertaken.

Whilst the contractual cost increases and pay settlement are known with certainty, the outcome of electricity cost increases and net treasury management costs are, as yet, unknown and subject to potential change during 2022/23.

- 3.5. In addition, other service costs and income are subject to fluctuation during the year as the cost-of-living crisis and external economic factor impacts both directly and indirectly on households and businesses. This could lead to an increased demand for council services, as the more vulnerable in the City look to the Council for support and a reduction in both income for services and collection rates as household and business incomes become under pressure.
- 3.6. Despite the high level of uncertainty, it is clear that the General Fund is facing a significant financial shortfall for 2022/23. In response to this a range of options and mitigations are currently being developed. These focus on both short-term measures to ensure a balanced budget can be maintained for 2022/23, as well as looking at more medium-term options to ensure the Council's ongoing financial sustainability. Given the timescales in delivering many of these mitigations, it is inevitable that the General Fund will need to draw upon earmarked reserves and general balances in order to maintain a balanced position for 2022/23. The third quarter's financial performance report will set out proposals for which reserves will be called upon. It should be noted though, that the use of earmarked reserves brings financial risks in terms of the depletion of reserves and increased future exposure, etc, in the short term however the Council has little other options.
- 3.7. Alongside the development of these mitigations, the Council will continue to lobby the Government and call upon them to increase local government funding in recognition of the unprecedented and unavoidable pressures that local government are facing. The Council has already written to the Secretary of State setting out the significant financial strain it is facing. The Council will also support sector campaigns/lobbying regarding sustainable funding mechanisms and medium-term financial settlements for local government.
- 3.8. **Earmarked Reserves**

Details of the General Fund Earmarked Reserves are set out in paragraph 6 and Appendix G.



### 3.9. Towards Financial Sustainability Programme

The savings target included in the MTFS for 2022/23 was £1,050,000. Total savings secured and brought forward from last financial year are £716,410 leaving an in-year target of £333,590. Progress against this target, based on quarter 2 performance shows that secured savings total £65,190 for the General Fund and plans are in place to achieve the remaining balance.

A summary of the specific reviews that have contributed to this target are shown in Appendix K.

## 4. Housing Revenue Account

- 4.1. For 2022/23 the Council's Housing Revenue Account (HRA) net revenue budget was set at a £38,670 use of balances, resulting in an estimated level of general balances at the year-end of £1,063,872, after allowing for the 2021/22 outturn position.
- 4.2. The HRA is currently projecting a forecast overspend of £173,049 (appendix C provides a forecast Housing Revenue Account Summary), which would decrease the General Balances to £890,823 at the end of 2022/23. This would result in balances being below the prudent minimum of c£1m. The use of earmarked reserves to maintain balances around £1m, will be further considered in the third quarter's financial performance report.
- 4.3. There are a number of forecast year-end variations in income and expenditure against the approved budget, full details of the main variances are provided in Appendix D while the table below sets out the key variances:

<b>Housing Revenue Account Forecast year-end key variances:</b>	<b>Forecast £'000</b>
Pay award settlement	388
Increased Investment Interest	(376)
Energy inflation increases	159
Direct Revenue Financing Adjustment	(556)
Increased depreciation following revaluation of HRA assets	412
Housing Repairs Service Deficit Forecast, partially offset by:	574
Repairs and Maintenance – HRS Responsive Repairs	(539)
Repairs and Maintenance – Void work increase	240
Repairs and Maintenance – Painting and Pre-Painting	(441)
Net Other Variances	312
<b>Overall forecast deficit/(surplus)</b>	<b>173</b>

- 4.4. The HRA is currently forecasting an overspend at the end of the financial year, with significant variances in relation to repairs and maintenance costs. This is as a direct result of the issues that are currently being experienced in the Housing Repairs Services (HRS), as set out in Section 5 below. This has led to a significant reduction in the level of repairs that are being undertaken and a consequent reduction in expenditure recharged to the HRA. This is in part offset by the large forecast deficit by HRS, as seen in the repatriation variance above, due to a reduction in

rechargeable works. The HRA and HRS are working hard to address these issues, continuing to implement a range of previously agreed actions.

There is also a significant variance in relation to the level of depreciation charged to the HRA as a result of the latest revaluation exercise. This has been offset by a reduction in the amount of direct revenue financing charged to the account.

The other major variances are as a direct result of the inflationary pressures that the Council is facing, which the HRA is also impacted by. These include an estimate of pay inflation, over and above the assumptions included within the MTFs, based on the national pay agreement, alongside an increase in inflation on utilities as a result of the escalating cost of gas and electricity supplies and contract price increases.

4.5. At this stage no additional mitigations, other than those currently being implemented in response to the issues faced by the HRS, are recommended. The use of earmarked reserves to maintain HRA balances in line with the prudent minimum will be considered at quarter three. Strong budgetary control does though remain a focus in this financial year to ensure expenditure and income are balanced within budget.

#### 4.6. **HRA Earmarked Reserves**

Details of the HRA Earmarked Reserves are set out in paragraph 6 and Appendix G.

### 5. **Housing Repairs Service**

5.1. For 2022/23 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

5.2. At Quarter 2 HRS are forecasting a deficit of £573,908 in 2022/23 (Appendix E provides a forecast HRS Summary). Full details of the main variances provided in Appendix F, while the key variances are summarised below:

<b>Housing Repairs Service Forecast year-end key variances:</b>	<b>Forecast £'000</b>
Reduction in material costs due to less jobs being carried out by own workforce	(183)
Staff vacancies due to inability to recruit	(113)
Increased use of sub-contractors (due to level of vacancies) and increases in sub-contractor prices	902
Net other variances	(33)
<b>Overall forecast deficit/(surplus)</b>	<b>574</b>

5.3. The main contributory factor for this deficit is still the ongoing recruitment and retention issues, which is being felt across the industry, this results in a reliance on the use of sub-contractors. The cost of subcontractors is more expensive than the HRS's own workforce, due to the ongoing impact of Covid19, the current inflationary crisis and a reduced pool of contractors from which to secure services. These additional costs are therefore not fully offset by the vacancy and material savings achieved by not carrying out the work internally. Furthermore, the increased

subcontractor costs are not reflected in the service hourly rate and result in an under recovery of costs from the HRA, coupled with a reduction in jobs being carried out and the ability to recoup overhead costs.

The forecast deficit also includes an estimate of pay inflation, over and above the assumptions included within the MTFS, based on the latest pay offer made by the National Employers (this has not yet been agreed for Craftworkers), alongside an increase in the hourly rate recharge for the final quarter of the year to reflect this. The forecast also includes increased inflation on utilities as a result of the escalating cost of gas and electricity supplies.

- 5.4. It should be noted that due to the interconnection of the HRS and HRA, the consequential costs in the HRA are also greatly reduced (as noted earlier in the report) and therefore financial picture for the directorate is not unhealthy.

## 6. Earmarked Reserves

- 6.1. The Council holds a number of earmarked revenue reserves over both the General Fund and HRA. These reserves are sums set aside for specific purposes and to mitigate against potential future known or predicted liabilities. Key reserves include income volatility, business rates volatility, IT investment fund, asset sinking funds for future refurbishment etc. A number of these reserves are budgeted for use over the period of the MTFS. The details of all the earmarked reserves and their forecast balance as at 31st March 2023 are attached in Appendix G, with further details in the MTFS 2022-2027. In summary:

<b>Earmarked Reserves</b>	<b>Opening Balance 01/04/22 £'000</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>	<b>Closing Balance 31/03/23 £'000</b>
<b>General Fund</b>	(12,668)	(955)	6,040	(7,583)
<b>Housing Revenue Account</b>	(2,876)	(35)	208	(2,703)

## 7. Capital Programme

### 7.1. General Investment Programme

- 7.2. The revised General Investment Programme for 2022/23 amounted to £32.342m following the quarter 1 report. At quarter 2 the programme has been reduced by £2.186m to £30.156m, as shown below:

<b>General Investment Programme</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Revised budget Quarter 1	32,342	5,203	1,343	609	500
Budget changes for approval – Quarter 2	(2,186)	486	1,151	157	0
<b>Revised Budget</b>	<b>30,156</b>	<b>5,689</b>	<b>2,494</b>	<b>766</b>	<b>500</b>

- 7.3. All changes over the approved limit require approval by the Executive. There are no changes requiring Executive approval for the second quarter. However, there have

been changes to projects arising from the Lincoln Town Deal which have been approved by the Town Deal Board, under a separate governance framework, and are now included within the capital programme as the Council is the Accountable Body for the grant funding. The changes are as follows:

<b>GIP Movements Approved by Towns Board</b>	<b>2022/23 £'000</b>
Town Deal Barbican increase	100
Town Deal Lincoln City FC and Foundation increase	39
Town Deal Store of Stories increase	61
<b>Total GIP Movements Approved by Towns Board</b>	<b>200</b>

There has been a new project arising from the Lincoln Town Deal which has been approved by the Town Deal Board, under a separate governance framework, and is now included within the capital programme as the Council is the Accountable Body for the grant funding.

<b>Approved Schemes added to the GIP by Towns Board:</b>	<b>2022/23 £'000</b>
Town Deal Lincoln Science and Innovation Park (LSIP) – new scheme	800
<b>Total Approved Schemes added to the GIP</b>	<b>800</b>

- 7.4. The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. The following changes were approved during Quarter 2:

<b>GIP Movements Approved by the Chief Finance Officer:</b>	<b>2022/23 £'000</b>
Reprofiling – Various Town Deal Schemes between 2023-2026.	(3,093)
Artificial Grass Pitches – Reduction in budget on scheme completion	(88)
Boultham Park Masterplan – Reduction in budget on scheme completion	(22)
St Mary's Guildhall additional grant	17
<b>Total GIP Movements Approved by the CFO</b>	<b>(3,186)</b>

<b>Total GIP Delegated Approvals and Approvals by/for Executive</b>	<b>(2,186)</b>
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- 7.5. The table below provides a summary of the projected outturn position for the General Investment Programme:

<b>General Investment Programme - Projected Outturn</b>	<b>2022/23</b>			
	<b>Budget following Q1 £'000</b>	<b>Revised Budget Q2 £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
<b>Active Programme</b>				
Housing and Investment	338	338	338	0
Communities and Environment	3,343	3,249	3,249	0
Chief Executive	1,857	1,611	1,611	0

Major Developments	20,033	20,040	20,040	0
<b>Total Active Schemes</b>				
Schemes on Hold/Contingencies	316	316	316	0
Externally Delivered Town Deal Schemes	6,455	4,602	4,602	0
<b>Total Capital Programme</b>	<b>32,342</b>	<b>30,156</b>	<b>30,156</b>	<b>0</b>

- 7.6. The overall spending on the General Investment Programme for the second quarter of 22/23 is £2.2m, which is 8.8% of the 2022/23 active programme (excluding externally delivered schemes). This is detailed further at Appendix I.

Although this is a low percentage of expenditure at this stage of the financial year, further expenditure is expected in quarter 3 on Disabled Facilities Grants, Town's Deal Schemes, HAZ, and various capitalised maintenance schemes. There will however be a reprofile of the Western Growth Corridor Phase 1a budgets required, this will be subject to a separate report to the Executive in quarter 4.

#### 7.7. Housing Investment Programme

- 7.8. The original Housing Investment Programme for 2022/23 in the MTFS 2022-27 amounted to £21.72m. This was increased to £23.17m following approvals and year end re-profiles as part of the 2021/22 outturn. This had been further adjusted to £23.25m during the first quarter of 2022/23 and then £22.13m in quarter 2. A summary of the changes is shown below:

Housing Investment Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Revised budget Quarter 1	23,247	12,433	14,116	10,832	11,450
Budget changes for approval – Quarter 2	(1,114)	1,114	0	0	0
<b>Revised Budget</b>	<b>22,133</b>	<b>13,546</b>	<b>14,116</b>	<b>10,832</b>	<b>11,450</b>

- 7.9. All changes over the approved limit require approval by the Executive. The following changes require Executive approval for the second quarter:

<b>Changes requiring Executive Approval:</b>	<b>2022/23 £'000</b>
Bathrooms and WC's – Move budget to heating and reprofile to 2023/24	(164)
Kitchen Improvements - Move budget to heating and reprofile to 2023/24	(200)
Re-roofing - Move budget to heating and reprofile to 2023/24	(40)
Over bath showers (10 year programme) - Move budget to heating and reprofile to 2023/24	(50)
Renew stair structure - Move budget to replacement door entry and reprofile to 2023/24	(10)
<b>Total changes requiring Executive Approval</b>	<b>(464)</b>

- 7.10. All new projects are subject to Executive approval. There have been no new projects considered recently by the Executive during Quarter 2.
- 7.11. The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. The following changes were approved during Quarter 2:

<b>HIP Movements Approved by the Chief Finance Officer:</b>	<b>2022/23 £'000</b>
<b>Reprofiling to 2023/24 –</b>	
Thurlby Crescent	(70)
Communal Electrics	(25)
Garages	(65)
HRA Buildings	(70)
Hiab and Mule	(143)
Communal TV Aerials	(40)
Housing Support Services Computer Fund	(237)
<b>Total HIP Movements Approved by the CFO</b>	<b>(650)</b>

<b>Total HIP Delegated Approvals and Approvals by/for Executive</b>	<b>(1,114)</b>
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- 7.12. The table below provides a summary of the projected outturn position for the Housing Investment Programme:

<b>Housing Investment Programme - Projected Outturn</b>	<b>2022/23</b>			
	<b>Budget following Q1 £'000</b>	<b>Revised Budget Q2 £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Decent Homes / Lincoln Standard	6,779	6,325	6,325	0
Health and Safety	787	777	777	0
Contingent Major Repairs / Works	544	544	544	0
New Build Programme	12,040	12,040	12,040	0
Other Schemes	2,097	1,684	1,684	0
Computer Fund / IT Schemes	1,000	763	763	0
<b>Total Capital Programme</b>	<b>23,247</b>	<b>22,133</b>	<b>22,133</b>	<b>0</b>

- 7.13. The overall expenditure on the Housing Investment Programme for the second quarter of 22/23 is £3.835m, which is 17% of the 2022/23 revised programme. A further £0.46m has been spent as at the end of October 2022. This is detailed further at Appendix J.

Although this is a low percentage of expenditure at this stage of the financial year, works have been constrained by the availability of contractors and materials however new contracts are in place and spend is expected to increase in future periods.

## **8. Strategic Priorities**

- 8.1. The MTFS underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. Vision 2025 identifies the Council's strategic priorities, setting the vision and direction for the council and the city for the next five years.

## **9. Resource Implications**

- 9.1. The financial implications are contained throughout the report.

Under the Local Government Act 2003 the Chief Finance Officer (S151 Officer) is required to give Council an opinion on the robustness of the budget estimates and the adequacy of reserves. Although there remains some uncertainty around the latest budget estimates based on the information to date on income and expenditure it is evident that without a number of measures being taken the Council is facing a significant budget shortfall in 2022/23. Mitigations are currently being developed to ensure a balanced budget position can be maintained in the current financial year.

General Balances, on both the General Fund and HRA, are the only resource not ear-marked to a particular future need. The prudent minimum level of balance that should be maintained on the General Fund is between £1.5m-£2m and £1m-£1.5m on the HRA. Based on the latest forecasts of income and expenditure additional measures and mitigations will need to be applied to ensure that the level of balances in 2022/23 is maintained within these ranges. The close monitoring of these measures and of the Council's overall financial position will remain critical over the course of this financial year. As ever strong budgetary control will be required.

Although the primary focus of this report has been to set out the financial variances being faced in the current financial year, beyond 2022/23 the Council faces, continued, significant financial challenges. Ongoing reductions in resources, increased service costs arising from both inflation and demand for services will require ongoing reductions in the net cost base if the Council is to live within a significantly reduced resources envelope. The MTFS 2022-2027 approved by Full Council in March 2022 sets out the financial challenges the Council faces and has been supplemented by a further report on the likely trajectory for the MTFS 2023-2027, which was presented to the Executive on 17<sup>th</sup> October.

- 9.2. Legal implications including Procurement Rules

There are no legal implications arising from this report.

- 9.3. Equality, Diversity and Human Rights

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

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



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

Due to the nature of the report, there are no direct equality, diversity, or human rights implications.

## **10. Risk Implications**

- 10.1. A full financial risk assessment is included in the Medium Financial Strategy 2022-27.

## **11. Recommendations**

Executive are recommended to:

- 11.1. Note the financial performance for the period 1<sup>st</sup> April to 30th September 2022, and the projected outturns for 2022/23.
- 11.2. Assess the underlying impact of the pressures and underspends identified in paragraphs 3.3 (and appendix B), 4.3 (and appendix D), and 5.2 (and appendix F).
- 11.3. Review the changes to the General Investment Programme and Housing Investment Programme as approved by the Chief Finance Officer and Lincoln Town Board as detailed in paragraphs 7.3, 7.4, 7.5 and 7.12.
- 11.4. Approve the changes to the Housing Investment Programme as detailed in paragraph 7.9.

<b>Is this a key decision?</b>	Yes
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	Eleven
<b>List of Background Papers:</b>	MTFS 2022-27
<b>Lead Officer:</b>	Colleen Warren, Financial Services Manager Telephone: (01522) 873361

**GENERAL FUND SUMMARY – AS AT 30 SEPTEMBER 2022**

<b>Service Area</b>	<b>Ref</b>	<b>Revised Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
Strategic Development	A	1,885	1,781	(104)
Chief Finance Officer (S151)	B	(546)	(817)	(271)
City Solicitor	C	1,636	1,784	149
Housing	D	317	360	43
Growth and Regeneration	E	0	0	0
Director of Major Developments	F	3,417	3,432	16
Communities and Street Scene	G	7,330	7,396	65
Health and Environmental Services	H	477	871	394
Planning	I	(2,435)	(2,406)	29
		<b>12,080</b>	<b>12,401</b>	<b>320</b>
Corporate Expenditure	J	2,125	2,155	30
<b>TOTAL SERVICE EXPENDITURE</b>		<b>14,206</b>	<b>14,556</b>	<b>350</b>
Capital Accounting Adjustment	K	7,929	7,929	0
Specific Grants	L	(8,131)	(8,131)	0
Contingencies	M	38	600	562
Savings Targets	N	(150)	(150)	0
Earmarked Reserves	O	(5,085)	(5,085)	0
Insurance Reserve	P	40	40	0
<b>TOTAL EXPENDITURE</b>		<b>8,847</b>	<b>9,759</b>	<b>913</b>
<b>CONTRIBUTION FROM BALANCES</b>		<b>61</b>	<b>(852)</b>	<b>(913)</b>
<b>NET REQUIREMENT</b>		<b>8,907</b>	<b>8,907</b>	<b>0</b>
Retained Business Rates Income	Q	5,573	5,573	0
<i>Tariff</i>	R	0	0	0
<i>Section 31 Grant</i>	S	0	0	0
<i>Levy</i>	T	0	0	0
Collection Fund Surplus/(Deficit)	U	(4,050)	(4,050)	0
Revenue Support Grant	V	24	24	0
Council Tax	W	7,360	7,360	0
<b>TOTAL RESOURCES</b>		<b>8,907</b>	<b>8,907</b>	<b>0</b>

## General Fund Forecast Variances – Quarter 2

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

Ref	<u>Additional Expenditure</u>	£	Reason for variance
B	Property Services	37,690	Local Government as a whole is experiencing a recruitment and retention crisis, this is being felt within a number of service areas in the Council.
B	Financial Services	68,370	In these instances, and where it is not possible to absorb/stop the work of the vacant posts, agency staff have been procured or work has been externalised. This has resulted in cost pressures due to a higher cost of 'buying in' services.
C	Legal Services	70,180	
C	Municipal Elections	47,220	Increased staffing costs and additional room hire charges as a result of increased Covid prevention requirements.
D	Homeless Bed & Breakfast	70,590	Increase due to cost of living crisis and increase in B&B rates.
D	Control Centre	32,020	Additional costs predominantly due to increased costs of overtime to cover staff vacancies.
F	Waste	44,880	Inflationary increase on contract prices over and above MTFS assumptions.
F	Street Cleansing	63,250	Inflationary increase on contract prices over and above MTFS assumptions.
G	Yarborough Leisure Centre	307,950	Additional costs incurred due to pool closure.
H	Car Parks	106,550	Additional unbudgeted costs on supplies & services.
H	Car Parks	73,780	Costs incurred for a system upgrade as current system unsupported.
L	Pay Award	585,000	Impact of nationally agreed pay award above budget assumptions.
L	Energy Inflation	185,560	Anticipated utility price increases.

<b>Ref</b>		<b>£</b>	<b>Reason for variance</b>
L	Annual Vacancy Savings Target	77,410	Quarter 1 & 2 vacancy savings target, offset by savings in service areas.

### **Reduced Income**

B	Housing Benefits	65,530	Reduction in overpayments funded through housing subsidy due to overall reduction in overpayments raised and improved collection of arrears, plus a funding allocation shortfall.
F	Garden Waste	30,090	Net reduction in Garden Waste income as a result of reduced collections, offset by reduction in associated expenditure.
G	Christmas Market	58,770	Anticipated reduction in stallholder and park and ride income.
H	Building Regulations	29,260	Anticipated reduction in income as a result of current economic conditions.
H	Development Control	44,090	Anticipated reduction in income as a result of current economic conditions.

### **Reduced Expenditure**

A	Business Development & IT Manager	(62,460)	Vacancy savings pending implementation of restructure, offset against corporate vacancy savings target.
A	CX Corporate Policy	(36,270)	Vacancy savings pending implementation of restructure, offset against corporate vacancy savings target.
B	CX Management	(62,070)	Vacancy savings offset against corporate vacancy savings target.
D	Housing Solutions	(38,260)	Vacancy savings offset against corporate vacancy savings target.
G	Housing Regeneration	(37,630)	Salary savings as a result of reduction in staff working hours.
H	Development Control	(28,220)	Vacancy savings offset against corporate vacancy savings target.
N	Earmarked Reserves	(150,000)	Release of Inflation Volatility reserve to offset increased expenditure as a result of nationally agreed pay award and energy price increases.

Ref		£	Reason for variance
	<b><u>Additional Income</u></b>		
B	Lincoln Properties	(27,840)	Increased rental income following in year rent reviews plus low level of void properties.
B	Council Tax Rebate Scheme	(59,670)	New Burdens funding to compensate for work associated with administering the CT Energy Rebates (partially offset by IT costs, postage and staff overtime).
B	Other Interest	(295,010)	Increased investment income as a result of higher interest rates and additional dividend income.
H	Car Parks	(305,320)	Increase in season ticket income & forecast increase in pay and display income following price increase in December.

## HOUSING REVENUE ACCOUNT FUND SUMMARY – AS AT 30 SEPTEMBER 2022

	Ref	Revised Budget	Projected Outturn	Variance
		£'000	£'000	£'000
Gross Rental Income	A	(30,433)	(30,365)	67
Charges for Services & Facilities	B	(648)	(634)	14
Contribution towards Expenditure	C	(50)	(50)	0
Repairs Account – Income	D1	0	(5)	(5)
Supervision & Management – General	D2	(659)	(645)	14
Supervision & Management – Special	D3	0	(73)	(73)
Repairs & Maintenance	E	10,022	9,398	(624)
Supervision & Management - General	F1	6,834	6,891	57
Supervision & Management – Special	F2	1,532	1,581	49
Rents, Rates and Other Premises	G	486	787	301
Increase in Bad Debt Provisions	H	250	250	0
Insurance Claims Contingency	I	169	169	0
Contingencies	J	(64)	324	388
Depreciation	K	7,450	7,862	412
Impairments	L	0	0	0
Debt Management Expenses	M	15	15	0
HRS Trading (Surplus) / Deficit	N	0	574	554
<b>Net Cost of Service</b>	<b>O</b>	<b>(5,096)</b>	<b>(3,922)</b>	<b>1,175</b>
Loan Charges Interest	P	2,580	2,580	0
Investment/Mortgage Interest	Q	(66)	(442)	(376)
<b>Net Operating Inc/Exp</b>	<b>R</b>	<b>(2,583)</b>	<b>(1,784)</b>	<b>800</b>
Major Repairs Reserve Adjustment	T	2,559	2,003	(556)
Transfers to/from reserves	U	(15)	(85)	(70)
<b>(Surplus)/Deficit in Year</b>	<b>V</b>	<b>(39)</b>	<b>134</b>	<b>173</b>

## Housing Revenue Account Variances – Quarter 2

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

Ref		£	Reason for variance
<b><u>Reduced Income</u></b>			
A	Gross Rental Income	74,730	Reduction to Social Rental income predominantly due higher level of voids than anticipated.
A	Gross Rental Income	42,560	Non-Dwelling rental income reduced due to increase in garage voids.
A	Gross Rental Income	37,260	Reduction in De Wint Service Charge income due to delay in tenancy start dates.
A	Supervision & Management-General	50,000	Reduced Admin Fee income due to procurement slippage on new contractors.
<b><u>Increased Income</u></b>			
Q	Investment Interest	(375,740)	Increased investment income as a result of higher interest rates.
A	Gross Rental Income	(64,710)	Increase in Affordable rental income as affordable housing stock levels higher than budgeted at start of financial year.
D3	Supervision & Management – Special	(40,000)	Additional income from recoverable Garden Voids works.
D2	Supervision & Management - General	(32,460)	General Fund surplus on NSAP & RSAP properties attributable to HRA.
<b><u>Reduced Expenditure</u></b>			
T	Major Repairs Reserve/Direct Revenue Finance	(556,250)	Reduced contribution to Major Repairs Reserve - £412k re increase in depreciation, £144k re Cloud Licence Fee.
E	Repairs & Maintenance	(539,000)	Reduced HRS expenditure on Responsive Repairs.
E	Repairs & Maintenance	(441,010)	Reduction on Painting & Pre-painting costs due to delays in tendering process. Contracts expected to be agreed in Q3.



Ref		£	Reason for variance
F1	Supervision & Management – General	(224,920)	Reduced expenditure on Employee Costs due to staff vacancies.
E	Repairs & Maintenance	(90,360)	Underspend on Gas Servicing of Central Heating due to lower contractual amount.
F2	Supervision & Management – Special	(43,070)	Reduced expenditure on Employee Costs due to staff vacancies.
<b><u>Increased Expenditure</u></b>			
N	HRS Surplus/Deficit	573,910	Estimated deficit position for HRS (refer to HRS variances).
K	Depreciation	412,250	Increase in depreciation costs following revaluation of housing stock, offset by a Major Repairs reserve.
J	Contingencies – Pay award	387,890	Impact of nationally agreed pay award above budget assumptions
G	Rent, Rates & Other Premises	301,110	Cost of licence fee for new housing I.T system (£144k - offset by a Major Repairs reserve) and anticipated increased costs of utilities (£159k).
E	Repairs & Maintenance	287,070	Increased HRS expenditure on Voids & Aids & Adaptations
E	Repairs & Maintenance	140,350	Unattributable skip charges from HRS.
F1	Supervision & Management – General	118,660	Cost of agency staff to cover staff vacancies within Supervision & Management
F1	Supervision & Management – General	113,130	Additional Void work costs, consultancy fees & overtime costs within Tenancy Services.
F2	Supervision & Management – Special	62,340	Overtime costs in Caretaking & Cleaning, Security Services costs at De Wint Court and CCTV monitoring costs in Shuttleworth House.

**HOUSING REPAIRS SERVICE SUMMARY – AS AT 30 SEPTEMBER 2022**

	<b>Revised Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	3,403	3,290	(113)
Premises	118	144	26
Transport	418	362	(56)
Materials	1,415	1,233	(183)
Sub-Contractors	2,044	2,946	902
Supplies & Services	307	396	89
Central Support Charges	579	579	0
Capital Charges	0	0	0
<b>Total Expenditure</b>	<b>8,283</b>	<b>8,950</b>	<b>667</b>
Income	(8,283)	(8,376)	(93)
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>574</b>	<b>574</b>

## Housing Repairs Service Variances – Quarter 2

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

	£	Reason for Variance
<b><u>Reduced Expenditure</u></b>		
Employee Costs	(291,130)	Vacancies within the Operative staff.
Fleet Charges	(55,780)	Reduction in lease costs due to delay in receiving new vehicles from supplier.
Direct Materials	(182,610)	Reduced levels of materials spend mainly due to use of sub-contractors instead of own workforce due to vacancies.
<b><u>Increased Expenditure</u></b>		
Employee Costs	178,580	Potential pay award settlement based on the latest pay offer made by National Employers (craftworkers not yet agreed).
Sub-Contractors	902,180	Increased use of sub-contractors to cover vacancies within the operative team.
Supplies & Services	89,360	Increased skip and equipment hire costs.
Supplies & Services	25,400	Anticipated utility inflation price increases.
<b><u>Increased Income</u></b>		
Income	(92,670)	Increase in income due to additional void works carried out in the second quarter and increased recovery of admin time.

**EARMARKED RESERVES – Q2 MONITORING 2022/23**

	Revised Opening Balance	Budgeted Contribution	Actuals Q1-Q2	Forecast Q3-Q4	Forecast Balance
	01/04/2022 £'000	£'000	£'000	£'000	31/03/2023 £'000
<b>General Fund</b>					
Budget Carry Forwards	667	-	(93)	(46)	528
Grants & Contributions	1,932	(73)	(36)	556	2,379
Active Nation Bond	380	-	(200)	-	180
AGP Sinking Fund	52	50	-	-	102
Air Quality Initiatives	16	6	-	-	22
Asset Improvement	-	-	-	-	-
Birchwood Leisure Centre	66	-	20	-	86
Business Rates Volatility	5,566	(4,770)	-	-	795
Christmas Decorations	14	-	-	-	14
City Hall Sinking Fund	60	-	-	-	60
Commons Parking	1	-	-	6	7
Corporate Training	60	-	-	-	60
Council Tax Hardship Fund	213	-	-	-	213
Covid19 Recovery	1,047	-	-	-	1,047
Covid19 Response	354	-	-	-	354
DRF Unused	204	(202)	-	-	2
Electric Van replacement	24	4	-	-	28
Funding for Strategic Priorities	89	(89)	-	-	-
Income Volatility Reserve	320	-	-	-	320
Inflation Volatility Reserve	150	-	-	(150)	-
Invest to Save (GF)	100	1	-	-	101
IT Reserve	219	65	-	(1)	284
Lincoln Lottery	9	-	-	-	9
Mayoral Car	27	-	-	-	27
Mercury Abatement	-	-	-	-	-
MSCP & Bus Station Sinking Fund	104	45	-	-	149
Private Sector Stock Condition Survey	39	12	-	-	51
Revenues & Benefits Community Fund	25	-	-	-	25
Revenues & Benefits Share Service	-	-	-	-	-
Section 106 Interest	32	-	-	-	32
Strategic Growth Reserve	5	-	-	-	5
Strategic Projects – Revenue Costs	-	-	-	-	-
Tank Memorial	10	-	-	-	10
Tree Risk Assessment	84	17	-	(50)	50
Vision 2025	701	(31)	(11)	(113)	546
WGC Planning	49	-	-	-	49
	<b>12,668</b>	<b>(4,967)</b>	<b>(320)</b>	<b>202</b>	<b>7,583</b>

**HRA**

Capital Fees Equalisation	110	-	-	-	110
De Wint Court	73	-	-	-	73
Disrepairs Management	300	-	-	-	300
Housing Business Plan	77	-	-	(58)	19
Housing Repairs Service	126	-	-	-	126
HRA IT	-	-	-	35	35
HRA Repairs Account	1,351	-	-	-	1,351
Housing Strategic Priority	582	(15)	-	(44)	523
Invest to Save (HRA)	253	(81)	-	(10)	162
Strategic Growth Reserve	5	-	-	-	5
	<b>2,876</b>	<b>(96)</b>	<b>-</b>	<b>(77)</b>	<b>2,703</b>
<b>Total Earmarked Reserves</b>	<b>15,544</b>	<b>(5,063)</b>	<b>(320)</b>	<b>125</b>	<b>10,286</b>

**CAPITAL RESOURCES – Q2 MONITORING 2022/23**

	<b>Opening balance</b>	<b>Contributions</b>	<b>Used in financing</b>	<b>Forecast balance 31/03/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Grants/Contributions	1,823	17,061	(18,884)	0
Capital receipts General Fund	30	7,211	(5,755)	1,486
Capital receipts HRA	2,900	750	(2,562)	1,088
Capital receipts 1-41	2,778	0	(906)	1,872
Major Repairs Reserve	11,768	7,450	(10,243)	8,975
HRA DRF	8,319	2,559	(4,374)	6,504
<b>Total Capital Resources</b>	<b>27,618</b>	<b>35,031</b>	<b>(42,724)</b>	<b>19,925</b>

As the contributions for 1:4:1 receipts depend upon levels of RTB sales, no budget is set for these receipts. Currently the HIP has schemes planned to facilitate use of all 1:4:1 receipts with no repayment required in 22/23.

**General Investment Programme – Summary of Expenditure as at 30<sup>th</sup> September 2022**

<b>GENERAL INVESTMENT PROGRAMME</b>	<b>Budget 2022/23 - Reported at Q1</b>	<b>2022/23 - Q2 Budget Increase / Decrease</b>	<b>2022/23 - Q2 Budget Reprofiles</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 REVISED Total Spend to Date</b>	<b>2022/23 % Spend</b>
<b>Housing and Investment</b>						
Housing Renewal Area Unallocated	338,152	0	0	338,152	0	0.00%
<b>Housing and Investment Total</b>	<b>338,152</b>	<b>0</b>	<b>0</b>	<b>338,152</b>	<b>0</b>	<b>0.00%</b>
<b>DCE - Community and Environment</b>						
Artificial Grass Pitches (AGP)	88,307	(88,307)	0	0	0	0.00%
Crem - remodelling	130,607	0	0	130,607	(130)	-0.10%
Disabled Facilities Grant	2,081,372	0	0	2,081,372	303,550	14.58%
Whittons Park	78,112	0	0	78,112	78,018	99.88%
<b>DCE - Community and Environment Total</b>	<b>2,378,399</b>	<b>(88,307)</b>	<b>0</b>	<b>2,290,092</b>	<b>381,437</b>	<b>16.66%</b>
<b>DCE - Community Services</b>						
Boultham Park Lake Restoration	16,938	0	0	16,938	3,870	22.85%
Boultham Park Masterplan	22,026	(22,026)	0	0	0	0.00%
Flood Alleviation Scheme - Hartsholme Park	318,641	0	0	318,641	5,138	1.61%
Traveller deterrent	27,501	0	0	27,501	11,671	42.44%
<b>DCE - Community Services Total</b>	<b>385,106</b>	<b>(22,026)</b>	<b>0</b>	<b>363,080</b>	<b>14,479</b>	<b>3.99%</b>
<b>DCE - Planning</b>						
Heritage Action Zone	190,253	0	0	190,253	0	0.00%
St Mary le Wigford (HAZ)	40,000	0	0	40,000	0	0.00%
St Mary's Guildhall (HAZ)	348,444	17,300	0	365,744	141,298	38.63%
<b>DCE - Planning Total</b>	<b>578,697</b>	<b>17,300</b>	<b>0</b>	<b>595,997</b>	<b>141,298</b>	<b>23.71%</b>



<b>GENERAL INVESTMENT PROGRAMME</b>	<b>Budget 2022/23 - Reported at Q1</b>	<b>2022/23 - Q2 Budget Increase / Decrease</b>	<b>2022/23 - Q2 Budget Reprofiles</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 REVISED Total Spend to Date</b>	<b>2022/23 % Spend</b>
<b><u>Chief Executive Corporate Policy</u></b>						
New Telephony System	82,850	0	0	82,850	5,600	6.76%
<b>Chief Executive Corporate Policy Total</b>	<b>82,850</b>	<b>0</b>	<b>0</b>	<b>82,850</b>	<b>5,600</b>	<b>6.76%</b>
<b><u>Chief Executive Chief Finance Officer</u></b>						
40 Michaelgate Structural works	2,283	0	0	2,283	0	0.00%
Allotments Asbestos Sheds	33,795	0	0	33,795	0	0.00%
Canwick Rd Cemetery Railings	9,500	0	0	9,500	0	0.00%
City Hall Lightning Protection	6,104	0	0	6,104	0	0.00%
Grandstand Terracing Improvements	3,275	0	0	3,275	0	0.00%
Greyfriars	56,210	0	0	56,210	27,610	49.12%
Greyfriars Roof Improvements	4,050	0	0	4,050	0	0.00%
Guildhall Walkway/ Access Improvements.	11,959	0	0	11,959	0	0.00%
Guildhall Works	17,630	0	0	17,630	0	0.00%
High Bridge Café	50,000	0	0	50,000	0	0.00%
Long Leys Road Drainage	3,275	0	0	3,275	0	0.00%
Monks Abbey Bowls Pavilions External Timber/ Fascia Board Improvements	2,195	0	0	2,195	0	0.00%
Planned Capitalised Works	280,033	0	0	280,033	0	0.00%
Play Area Surfacing Works	5,133	0	0	5,133	0	0.00%
Stamp End Demolition	138,200	0	0	138,200	61,875	44.77%
Windmill View	250,000	0	0	250,000	2,552	1.02%
Yarborough Pool Ceiling Refurbishment	614,300	0	0	614,300	162,190	26.40%
YLC Diving Boards	39,825	0	0	39,825	0	0.00%
<b>Chief Executive Chief Finance Officer Total</b>	<b>1,527,767</b>	<b>0</b>	<b>0</b>	<b>1,527,767</b>	<b>254,227</b>	<b>16.64%</b>

<b>GENERAL INVESTMENT PROGRAMME</b>	<b>Budget 2022/23 - Reported at Q1</b>	<b>2022/23 - Q2 Budget Increase / Decrease</b>	<b>2022/23 - Q2 Budget Reprofiles</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 REVISED Total Spend to Date</b>	<b>2022/23 % Spend</b>
<b>Major Developments</b>						
Central Markets	2,000	0	0	2,000	0	0.00%
Central Markets (All Funding Streams)	6,984,196	0	0	6,984,196	1,176,649	16.85%
HUG - Home Upgrade Grant	104,500	0	0	104,500	0	0.00%
LAD 2 - Green Homes Grant Local Authority Delivery Scheme	460,356	0	0	460,356	166,247	36.11%
LAD 3 - Green Homes Grant Local Authority Delivery Scheme BEIS	2,203,194	0	0	2,203,194	81,125	3.68%
LAD 3 Top Up HUB	440,000	0	0	440,000	0	0.00%
TD Tentercroft Street	290,000	0	(240,000)	50,000	0	0.00%
The Terrace Heat Mitigation Works	246,547	0	0	246,547	0	0.00%
Towns Deal Programme Management	80,455	0	0	80,455	8,260	10.27%
WGC COLC	500,000	0	0	500,000	0	0.00%
WGC Housing Delivery	6,766,212	0	0	6,766,212	0	0.00%
WGC Pre-planning	42,179	0	0	42,179	0	0.00%
WGC Shared Infrastructure	2,160,227	0	0	2,160,227	20,114	0.93%
<b>Major Developments Total</b>	<b>20,279,867</b>	<b>0</b>	<b>(240,000)</b>	<b>20,039,867</b>	<b>1,452,395</b>	<b>7.25%</b>
<b>TOTAL ACTIVE SCHEMES</b>	<b>25,570,837</b>	<b>(93,033)</b>	<b>(240,000)</b>	<b>25,237,804</b>	<b>2,249,436</b>	<b>8.91%</b>
<b>Schemes Currently Under Review</b>						
Capital Contingencies	8,170	0	0	8,170	0	0.00%
Compulsory Purchase Orders	151,254	0	0	151,254	0	0.00%
Compulsory Purchase Orders	82,227	0	0	82,227	0	0.00%
IT Reserve	74,334	0	0	74,334	0	0.00%
<b>Schemes Currently Under Review Total</b>	<b>315,985</b>	<b>0</b>	<b>0</b>	<b>315,985</b>	<b>0</b>	<b>0.00%</b>
<b>TOTAL CAPITAL PROGRAMME EXCLUDING EXTERNALLY DELIVERED SCHEMES</b>	<b>25,886,821</b>	<b>(93,033)</b>	<b>(240,000)</b>	<b>25,553,788</b>	<b>2,249,436</b>	<b>8.80%</b>

<b>GENERAL INVESTMENT PROGRAMME</b>	<b>Budget 2022/23 - Reported at Q1</b>	<b>2022/23 - Q2 Budget Increase / Decrease</b>	<b>2022/23 - Q2 Budget Reprofiles</b>	<b>2022/23 Revised Budget</b>	<b>2022/23 REVISED Total Spend to Date</b>	<b>2022/23 % Spend</b>
<b>Externally Delivered Town Deal Schemes</b>						
TD Barbican Production & Maker Hub	1,600,000	100,000	(500,000)	1,200,000	0	0.00%
TD Drill Hall	1,000,000	0	0	1,000,000	1,000,000	100.00%
TD Greyfriars	313,200	0	(313,200)	0	0	0.00%
TD Hospitality & Events & Tourism Institute	1,120,000	0	0	1,120,000	0	0.00%
TD Lincoln City FC and Foundation	800,000	39,000	(490,000)	349,000	0	0.00%
TD Lincoln Connected	433,977	0	(301,089)	132,888	0	0.00%
TD LSIP	0	800,000	(760,000)	40,000	0	0.00%
TD Sincil Bank	781,089	0	(431,765)	349,324	0	0.00%
TD Store of Stories	155,000	61,000	(56,250)	159,750	0	0.00%
TD Wigford Way	251,500	0	0	251,500	0	0.00%
<b>Externally Delivered Town Deal Schemes Total</b>	<b>6,454,766</b>	<b>1,000,000</b>	<b>(2,852,304)</b>	<b>4,602,462</b>	<b>1,000,000</b>	<b>21.73%</b>
<b>GRAND TOTAL</b>	<b>32,341,587</b>	<b>(393,033)</b>	<b>(1,792,304)</b>	<b>30,156,250</b>	<b>3,249,436</b>	<b>10.78%</b>

**Housing Investment Programme – Summary of Expenditure as at 30<sup>th</sup> September 2022**

	2022/23 Budget Reported at Q1	2022/23 Q2 Budget Reprofiling	2022/23 Revised Budget	2022/23 Total Spend to Date	2022/23 % Spend
<b>HOUSING INVESTMENT PROGRAMME</b>					
<b><u>Contingency Schemes</u></b>					
Contingency Reserve	544,120	0	544,120	0	0.00%
<b>Contingency Schemes Total</b>	<b>544,120</b>	<b>0</b>	<b>544,120</b>	<b>0</b>	<b>0.00%</b>
<b><u>Decent Homes</u></b>					
Bathrooms & WC's	263,742	(163,742)	100,000	0	0.00%
DH Central Heating Upgrades	2,318,818	0	2,318,818	818,342	35.29%
Door Replacement	1,350,000	0	1,350,000	112,216	8.31%
Fire Compartment works	5,000	0	5,000	0	0.00%
Fire Doors	95,049	0	95,049	0	0.00%
Kitchen Improvements	500,000	(200,000)	300,000	0	0.00%
Lincoln Standard Windows Replacement	500,000	0	500,000	104,401	20.88%
New services	37,895	0	37,895	0	0.00%
Re-roofing	60,000	(40,000)	20,000	0	0.00%
Rewiring	25,000	0	25,000	0	0.00%
Structural Defects	25,000	0	25,000	0	0.00%
Thermal Comfort Works	10,000	0	10,000	0	0.00%
Void Capitalised Works	1,508,422	0	1,508,422	329,807	21.86%
<b>Decent Homes Total</b>	<b>6,698,926</b>	<b>(403,742)</b>	<b>6,295,184</b>	<b>1,364,765</b>	<b>21.68%</b>
<b><u>Health and Safety</u></b>					
Asbestos Removal	291,164	0	291,164	450	0.15%
Asbestos Surveys	255,645	0	255,645	26,842	10.50%
Fire Alarms	30,000	0	30,000	0	0.00%

	2022/23 Budget Reported at Q1	2022/23 Q2 Budget Reprofiling	2022/23 Revised Budget	2022/23 Total Spend to Date	2022/23 % Spend
<b><u>HOUSING INVESTMENT PROGRAMME</u></b>					
Renew stair structure	10,000	(10,000)	0	0	0.00%
Replacement Door Entry Systems	200,083	0	200,083	18,717	9.35%
<b>Health and Safety Total</b>	<b>786,892</b>	<b>(10,000)</b>	<b>776,892</b>	<b>46,009</b>	<b>5.92%</b>
<b><u>IT/Infrastructure</u></b>					
Housing Support Services Computer Fund	737,085	(237,085)	500,000	94,744	18.95%
Infrastructure Upgrade	166,383	0	166,383	0	0.00%
Operation Rose	13,573	0	13,573	890	6.56%
Telephony	82,850	0	82,850	5,600	6.76%
<b>IT/Infrastructure Total</b>	<b>999,891</b>	<b>(237,085)</b>	<b>762,806</b>	<b>101,234</b>	<b>13.27%</b>
<b><u>Lincoln Standard</u></b>					
Over bath showers (10 year programme)	79,798	(49,798)	30,000	0	0.00%
<b>Lincoln Standard Total</b>	<b>79,798</b>	<b>(49,798)</b>	<b>30,000</b>	<b>0</b>	<b>0.00%</b>
<b><u>Other Current Developments</u></b>					
CCTV	46,685	0	46,685	15,579	33.37%
Communal Electrics	100,000	(25,000)	75,000	0	0.00%
Communal TV Aerials	59,832	(40,000)	19,832	0	0.00%
Environmental works	1,490,044	0	1,490,044	0	0.00%
Garages	70,000	(65,000)	5,000	1,940	38.80%
Hiab and Mule	143,000	(143,000)	0	0	0.00%
HRA Buildings	107,729	(70,000)	37,729	0	0.00%
Landscaping & Boundaries	0	0	0	0	0.00%
Thurlby Crescent	80,000	(70,000)	10,000	0	0.00%
<b>Other Current Developments Total</b>	<b>2,097,290</b>	<b>(413,000)</b>	<b>1,684,290</b>	<b>17,519</b>	<b>1.04%</b>
<b>HOUSING INVESTMENT TOTAL</b>	<b>11,206,917</b>	<b>(1,113,625)</b>	<b>10,093,292</b>	<b>1,529,528</b>	<b>15.15%</b>

	2022/23 Budget Reported at Q1	2022/23 Q2 Budget Reprofiling	2022/23 Revised Budget	2022/23 Total Spend to Date	2022/23 % Spend
<b>HOUSING INVESTMENT PROGRAMME</b>					
<b>HOUSING STRATEGY AND INVESTMENT</b>					
<b><u>New Build Programme</u></b>					
Property Acquisitions	620,476	478,410	1,098,886	299,793	27.28%
Hermit Street Regeneration	150,000	0	150,000	3,682	2.45%
New Build Capital Salaries	44,332	0	44,332	0	0.00%
New Build- De Wint Court	832,366	0	832,366	112,232	13.48%
New Build Programme	3,282,165	0	3,282,165	0	0.00%
New Build Programme (141 eligible)	640,267	(191,364)	448,903	0	0.00%
New Build Programme (Borrowing for 141 eligible)	960,400	(287,046)	673,354	0	0.00%
New Build Site - Queen Elizabeth Road	26,761	0	26,761	0	0.00%
New Build Site - Rookery Lane	4,160,800	0	4,160,800	1,889,824	45.42%
New Build Site - Searby Road	62,497	0	62,497	0	0.00%
Western Growth Corridor	1,259,766	0	1,259,766	0	0.00%
<b>New Build Programme Total</b>	<b>12,039,830</b>	<b>0</b>	<b>12,039,830</b>	<b>2,305,531</b>	<b>19.15%</b>
<b>HOUSING STRATEGY AND INVESTMENT TOTAL</b>	<b>12,039,830</b>	<b>0</b>	<b>12,039,830</b>	<b>2,305,531</b>	<b>19.15%</b>
<b>TOTAL HOUSING INVESTMENT PROGRAMME</b>	<b>23,246,747</b>	<b>(1,113,625)</b>	<b>22,133,122</b>	<b>3,835,059</b>	<b>17.33%</b>

**TFS Phase7 programme: progress at Q2 - 2022/2023**

Service	Summary of project	Dir.	Total savings in 2022/23	GF savings in 2022/23	HRA savings in 2022/23	Comments
			£000's	£000's	£000's	
<b>ACTIONS COMPLETED AS OF END Q1 2022/23</b>						
Savings secured – b'fwd from 21/22			779	716	63	Complete
Community Services	Transfer maintenance of lighting to Cathedral	DCE	20	20	-	Complete
Strategic Development	BDIT/Policy Restructure	CX	49	45	4	Exec 25/07/22
<b>TOTAL</b>			<b>848</b>	<b>781</b>	<b>67</b>	



<b>SUBJECT:</b>	<b>STRATEGIC RISK REGISTER – QUARTERLY REVIEW</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

**1. Purpose of Report**

1.1 To provide Members with a status report of the revised Strategic Risk Register as at the end of the second quarter 2022/23.

**2. Background**

2.1 An update of the Strategic Risk Register, developed under the risk management approach of ‘risk appetite,’ was last presented Members in August 2022 and contained twelve strategic risks.

2.2 Since reporting to Members in August, the Strategic Risk Register has been refreshed and updated by the Risk Owners and Corporate Management Team and has identified that there have been some positive movement in the Risk Register.

2.3 This updated register is contained with Part B of this agenda, it contains twelve strategic risks which are listed below, along with details of relevant mitigations.

**3. Strategic Risks**

3.1 The Strategic Risk Register contains twelve existing risks, as follows:

- 1) Failure to engage & influence effectively the Council’s strategic partners, council staff and all stakeholders to deliver against e.g., 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.
- 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 relation to the Council's PREVENT and safeguarding duties.
- 12) Failure to mitigate against the risk of a successful cyber-attack against the council

3.2 A number of control actions have now been progressed or completed and the key movements are outlined as follows:

- Risk No 2. Failure to deliver a sustainable Medium Term Financial Strategy – due to the unavoidable and unforeseen changes in the majority of the key assumptions underpinning the current MTFs, an assessment of the likely financial challenges the Council faces in the short and medium-term has been undertaken, this has identified significant financial pressures for the Council. All political parties have been briefed on the position. Work has now commenced on a financial recovery programme, alongside this the Council has commenced a lobbying campaign to seek additional financial support for local authorities from Central Government.
- Risk No 3. Failure to deliver the Towards Financial Sustainability Programme (TFS) – in light of the financial pressures the Council is facing, as part of the financial recovery programme, a new phase of TFS is currently being scoped. In addition, the existing programme of reviews are continuing to be delivered.
- Risk No 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 – following the staff survey that was undertaken earlier in the year, the results have now been assessed and an action plan developed to address areas for improvement. Leadership Development training for all Team Leaders and Service Managers is currently being delivered, with all officers due to have completed the training by early 2023.
- Risk No 7. Insufficient levels of resilience and capacity exist in order to deliver key strategic projects and services within the Council – this risk has been expanded to incorporate the impact of the cost-of-living crisis on the demands for council services. Both internally and externally, with partner organisations and other Lincolnshire Councils, working group have been

established to provide information and support to residents and businesses with officers allocated to support the work programmes. Service requests and performance indicators are being closely monitored to assess the increased demands on service provision.

- Risk No 8. Decline in the economic prosperity of the City Centre – work continues to progress with the range of Lincoln Towns Fund schemes, including the refurbishment of the Central Market, led by the Council. During August, a Levelling Up Fund 2 bid was submitted for £20m for the Tritton Rd Bridge to open up the WGC site, the outcome of this is currently awaited. In addition, Lincoln’s Investment Plan for the UK Shared Prosperity Fund was also submitted during the summer, again a response/feedback on this is currently awaited.
- Risk No 9. Failure to deliver key strategic projects – as per Risk No 8, the submission of the LUF2 bid is critical to opening up the Tritton Rd end of the WGC site and delivery of future phases. During September, the National Heritage Lottery Fund announced the approval of a £1.952m bid for the Re-imagining Greyfriars project, this alongside Towns Fund grant will see the heritage asset bought back into use. Works will begin on the project in late 2023.

3.3 The assessed level of each of these twelve risks is as follows:

<b>Risk No.</b>	<b>Risk Rating</b>	<b>Likelihood</b>	<b>Impact</b>
2, 8 & 10	Red/High	Almost Certain	Critical
5 & 12	Red/High	Probable	Critical
3 & 7	Red/High	Almost Certain	Major
9	Amber/Medium	Probable	Major
11.	Amber/Medium	Possible	Critical
1, 4 & 6	Amber/Medium	Possible	Major

Control actions continue to be implemented and risks managed accordingly.

3.4 The Strategic Risk Register is contained within Part B of this agenda.

#### **4. Strategic Priorities**

4.1 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 Vision 2025, and that it does so in accordance with statutory requirements and within a balanced and sustainable budget and MTFS.

#### **5. Organisational Impacts**

5.1 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, the risk registers that support these have also been reviewed in light of the current financial challenges the Council is facing.

5.2 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 of a Strategic Risk Register and the control actions which the Council undertakes are part of the way in which the Council fulfils this duty.

### 5.3 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.

## 6. Risk Implications

6.1 The Strategic Risk Register contains the key strategic risks to the delivery of the Council's medium and longer term priorities. A failure to monitor the action that is being taken to manage these risks would undermine the Council's governance arrangements.

## 7. Recommendation

7.1 Members are asked to note and comment on the Council's strategic risks as at the end of quarter 2 2022/23.

**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?** None

**List of Background Papers:** None

**Lead Officer:**

Jaclyn Gibson, Chief Finance Officer  
Telephone (01522) 873258

**SUBJECT: TREASURY MANAGEMENT AND PRUDENTIAL CODE UPDATE  
MID YEAR REPORT – 30<sup>TH</sup> SEPTEMBER 2022**

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

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

## 1. Purpose of Report

1.1 This report covers the Council's treasury management activity and the actual prudential indicators for the period 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022. This is in accordance with the requirements of the Prudential Code.

## 2. Executive Summary

2.1 The Treasury Management position and performance results for the 6 months ended 30<sup>th</sup> September 2022 are set out as follows.

### 2.1.1 Investment Portfolio

The Council held £64million of investments as at 30<sup>th</sup> September 2022. The investment profile is shown in Appendix A.

Of this investment portfolio 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. During the 6 months to 30<sup>th</sup> September on average 100% of the portfolio was held in low risk specified investments and an average of 0% of the portfolio was held in non-specified investments (with other local authorities).

*Liquidity* – The Council seeks to maintain liquid short-term deposits of at least £5 million available with a week's notice. The weighted average life (WAL) of investments for the year was expected to be 0.08 years (29 days). At 30<sup>th</sup> September 2022 the Council held liquid short term deposits of £24 million and the WAL of the investment portfolio was 0.17 years (61 days). The WAL of the investment portfolio is higher than expected.

*Security* - The Council's maximum security risk benchmark for the portfolio as at 30<sup>th</sup> September 2022 was 0.012%, based on the historic risk of default of the counterparties and types of accounts in which the council's funds are place – this equates to a potential loss of £0.008m on an investment portfolio of £64m. This represents a very low risk investment portfolio.

*Yield* – The Council achieved an average return of 1.3% on its investment portfolio for the 6 months ended 30<sup>th</sup> September 2022. This compares favourably with the target SONIA rate at 30<sup>th</sup> September of 1.22%.

### 2.1.2 External Borrowing

At 30<sup>th</sup> September 2022 the Council held £130.070 million of external borrowing, of

which 100% were fixed rate loans (Appendix A).

As at 30<sup>th</sup> September 2022, the average rate of interest paid during quarters 1 and 2 on external borrowing was 3.01%. This is lower than the budgeted rate set in the MTFS 2022-27 of 4.25%; there has been a reduction in external borrowing during the first 6 months of the year as some borrowing has been repaid and internal balances used to fund expenditure.

### **3. Background**

- 3.1 The prudential system for capital expenditure is well established. One of the requirements of the Prudential Code is to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and treasury management response to these plans. This report fulfils that requirement and includes a review of compliance with Treasury and Prudential Limits and the Prudential Indicators at 30<sup>th</sup> September 2022. The Treasury Management Strategy and Prudential Indicators were previously reported to and approved by Council on 1<sup>st</sup> March 2022.
- 3.2 This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.
- 3.3 This report highlights the changes to the key prudential indicators, to enable an overview of the current status of the capital expenditure plans. It incorporates any new or revised schemes previously reported to Members. Changes required to the residual prudential indicators and other related treasury management issues are also included.

### **4. Prudential Indicators**

- 4.1 This part of the report is structured to provide an update on:
- The Council's capital expenditure plans;
  - How these plans are being financed;
  - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
  - Compliance with the limits in place for borrowing.

#### **4.2 Capital Expenditure**

The table below shows the revised estimates for capital expenditure that have been approved by or are subject to Executive approval since Council approved the original budget in March 2022.

<b>Capital Expenditure</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>
General Fund	19,407	30,156
HRA	21,721	22,133
<b>Total</b>	<b>41,128</b>	<b>52,289</b>

#### 4.3 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above) and the expected financing arrangements for this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council in the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt.

<b>Indicators 1&amp;2</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>
<b>Capital Expenditure</b>		
General Fund	19,407	30,156
HRA (including New Build)	21,721	22,133
<b>Total Expenditure</b>	<b>41,128</b>	<b>52,289</b>
<b>Financed by (General Fund):</b>		
Capital receipts	2,534	3,259
Capital grants & contributions	9,611	18,389
Revenue/Reserve Contributions	203	209
<b>Borrowing need (GF)</b>	<b>7,059</b>	<b>8,299</b>
<b>Financed by (HRA):</b>		
Capital receipts	1,791	3,469
Capital grants & contributions	495	495
Depreciation (HRA only)	8,941	10,243
Revenue/Reserve Contributions	6,194	4,374
<b>Borrowing need (HRA)</b>	<b>4,300</b>	<b>3,552</b>

The principal changes in the financing, from the original estimates approved in March 2022 are as a result of the re-profiling of expenditure and new projects funded by a combination of grants and borrowing. The most significant of the changes is in relation to the inclusion of the Towns Fund programme, for which the Council is the Accountable Body, in the General Investment Programme. The Council is not directly delivering all of the Towns Fund Programme.

#### 4.4 The Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the Capital Financing Requirement, which is the Council's underlying need to borrow for a capital purpose. It also shows the expected debt position over the period, which is termed as the Operational Boundary.



<b>Indicators 3 &amp; 4</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>
General Fund – CFR	69,398	71,798
HRA - CFR	78,189	78,003
Total CFR	147,587	149,801
<b>Net movement in CFR</b>	<b>4,456</b>	<b>6,943</b>

<b>Indicator 5</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>
Borrowing	139,000	122,000
Other long term liabilities *	0	0
Total Debt 31 March	<b>139,000</b>	<b>122,000</b>

\* Other long term liabilities includes Finance leases- a change in accountancy practice is currently estimated to result in finance liabilities in 24/25 onwards which will be reported in the Treasury Management Strategy

The Council is currently under-borrowed against the CFR, as, whilst the Council has adequate cash balances and employs internal resources until cash flow forecasts indicates the need for additional borrowing or rates are available that reduce the cost of carrying debt. PWLB borrowing rates have increased and forecasts show that they will remain elevated for some little while. £5m short term borrowing has been undertaken during the period. Over £8m of borrowing is maturing in 2022/23 with a view to not being replaced in the current climate whilst balances remain high.

The HRA borrowing requirement is considered independently from that of the General Fund. Further borrowing is anticipated and will be reported as part of the MTFS and Treasury Management Strategy.

#### 4.5 Limits to Borrowing Activity

The first key control over the Council's borrowing activity is a prudential indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need, which will be adhered to if this proves prudent.

<b>Indicator 6</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>
Gross Borrowing	139,000	122,000
Investments	(30,000)	(45,000)
<b>Net Borrowing</b>	<b>109,000</b>	<b>77,000</b>
CFR	147,587	149,900
<b>Net borrowing is below CFR</b>	<b>38,587</b>	<b>72,900</b>

Due to changes in accounting practice the CFR in future years will include lease liabilities that are currently not recognised on the balance sheet. The council is engaged in establishing the amounts of these liabilities (previously treated as operating leases and treated as rental expenditure) and estimates will be made in the Treasury Management Strategy.

The Chief Finance Officer reports that no difficulties are envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the budget report.

A breakdown of the loans and investments profile is provided in Appendix A.

A further two prudential indicators control the overall level of borrowing. These are:

1. **The Authorised Limit** – This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
2. **The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. CIPFA anticipate that this should act as an indicator to ensure the authorised limit is not breached.

<b>Indicator 7 – Authorised limit for external debt*</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Current Position £000</b>	<b>2022/23 Revised Estimate £000</b>
Borrowing	156,991	130,070	151,970
Other long-term liabilities**	1,380	0	0
<b>Total Authorised limit</b>	<b>158,371</b>	<b>130,070</b>	<b>151,970</b>

<b>Indicator 8 – Operational boundary for external debt*</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Current Position £000</b>	<b>2022/23 Revised Estimate £000</b>
Borrowing	148,523	130,070	137,000
Other long-term liabilities**	1,200	0	0
<b>Total Operational Boundary</b>	<b>149,723</b>	<b>130,070</b>	<b>137,000</b>

\* The highest level of external debt during the first half of 2022/23 was £130.070m.

\*\* Other long-term liabilities include Finance leases.

There have been revisions to the capital programme since the Medium-Term Financial Strategy was set in March 2022 which have impacted on authority's capital financing requirement and as a result, to the figures calculated for the operational boundary for borrowing. The limits for the Operational Boundary allow for previous use of internal borrowing to be replaced by external borrowing should the Chief Finance Officer decide that it is appropriate and prudent to do so.

#### 4.6 Other Prudential Indicators

Appendix B details the updated position on the remaining prudential indicators and the local indicators.

### 5. Treasury Management Strategy 2021/22 to 2023/24 Update

#### 5.1 Economics update

- The second quarter of 2022/23 saw:
  - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
  - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime

## Minister and Chancellor on 23<sup>rd</sup> September.

- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next

year.

- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6<sup>th</sup> November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3<sup>rd</sup> November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23<sup>rd</sup> November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23<sup>rd</sup> September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21<sup>st</sup> June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded

a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31<sup>st</sup> October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14<sup>th</sup> October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28<sup>th</sup> September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14<sup>th</sup> October or it decides to delay quantitative tightening beyond 31<sup>st</sup> October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

Current medium term interest rate forecasts are shown below:

Link Group Interest Rate View		27.09.22											
		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>BANK RATE</b>		4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings		4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings		4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings		5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB		5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB		4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB		5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB		4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

## 5.2 Borrowing Activity

5.2.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result, the Council will take a cautious approach to its treasury strategy.

5.2.2 Long-term fixed interest rates are on a generally rising trend. The Chief Finance Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. The approved funding of the current capital programme does require borrowing to be taken during 22/23 and the forthcoming



years. In addition to this there has been internal borrowing (i.e. using cash balances), to fund previous years' capital expenditure, which may need to be replaced at some point in the future with external borrowing. The current key challenge is anticipating the optimum point at which any future borrowing should be taken. Any future borrowing will increase cash holding at a time when counterparty risk remains high and investment returns are low. In this scenario, borrowing is likely to be postponed until cash flow need is more apparent.

5.2.3 Opportunities for debt restructuring will be continually monitored. Action will be taken when the Chief Finance Officer feels it is most advantageous.

### 5.3 Investment Strategy 2022/23 to 2024/25

5.3.1 The objectives of the Council's investment strategy are the safeguarding of the repayment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following on from the economic background above, the current investment climate is one of over-riding risk consideration i.e. that of counterparty security risk. As a result of these underlying concerns, officers continue to implement an operational investment strategy, which tightens the controls already in place in the approved investment strategy.

5.3.2 The Council held £64million of investments as at 30<sup>th</sup> September 2022 and the investment profile is shown in Appendix A.

### 5.4 Risk Benchmarking

The Investment Strategy for 2022/23 includes the following benchmarks for liquidity and security. Yield benchmarks are contained within section 6.

5.4.1 *Liquidity* – The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £5 million available with a weeks' notice which has been increased in the light of the pandemic to ensure adequate liquidity.

The weighted average life (WAL) of investments for the year was expected to be 0.08 years (29 days). At 30<sup>th</sup> September 2022 the Council held liquid short term deposits of £24 million and the WAL of the investment portfolio was 0.17 years (61 days).

The Chief Finance Officer can report that liquidity arrangements were adequate during the year to date

5.4.2 *Security* – The Council's maximum security risk benchmark for the portfolio as at 30<sup>th</sup> September 2022 was 0.012%, which equates to a potential loss of £0.008m on an investment portfolio of £64m. This is equivalent to the budgeted maximum risk of 0.012% in the Treasury Management Strategy. It represents a very low risk investment portfolio which carries a very much lower level of risk than Link's model portfolio and other local authorities within our benchmarking group.

The target set within the 2022/23 Strategy is that a minimum of 25% of the portfolio must be held in low risk specified investments. The Chief Finance Officer can report that the investment portfolio was maintained within this overall benchmark during

the year to date. At 30<sup>th</sup> September 2022, 100% of the investment portfolio was held in low risk specified investments.

## 6. Yield Benchmarking

- 6.1 At the point of writing this report the benchmarking information is unavailable however, should this become available before the committee a supplementary report will be provided at the meeting.

## 7. **Strategic Priorities**

- 7.1 One Council - Through its Treasury Management Strategy the Council seeks to reduce the amount of interest it pays on its external borrowing and maximise the interest it achieves on its investments.

## 8. **Organisational Impacts**

### 8.1 Finance

The financial implications are covered in the main body of the report.

### 8.2 Legal

The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code and the MHCLG Investment Guidance when carrying out their treasury management functions.

### 8.3 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.

## 9. **Risk Implications**

- 9.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principal that an organisations appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks,



and should ensure that priority is given to security and liquidity when investing.

## 10. Recommendations

- 10.1 It is recommended that Executive note the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2022/23 for the half-year ended 30<sup>th</sup> September 2022.

**Is this a key decision?** No

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

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

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

**List of Background Papers:** Treasury Management Strategy 2022/23 (Approved by Council March 2022)

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

**Borrowing Profile at 30<sup>th</sup> September 2022**

	Long term borrowing	
	Fixed rate	Variable rate
	£ 000	£ 000
PWLB loans	94,070	0
Other Market loans	16,000	0
Local Authority loans	20,000	0
<b>TOTAL</b>	<b>130,070</b>	<b>0</b>

**Investment Profile at 30<sup>th</sup> September 2022**

	Total Principal invested	Short term	
		Fixed rate	Variable rate
	£ 000	£ 000	£ 000
UK Banks & Building societies (including Call accounts)	40,000	40,000	0
UK Money Market Funds	24,400	0	24,400
<b>TOTAL</b>	<b>64,400</b>	<b>40,000</b>	<b>24,400</b>

## Updated Position on the Remaining Prudential and Local Indicators

### Affordability Prudential Indicators

Actual and estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream.

#### Ratio of Financing Costs to Net Revenue Stream

Indicators 9 & 10	2022/23 Original Estimate £000	2022/23 Current Position £000
General Fund	26.8%	24.5%
HRA	31%	30.4%

The ratios are broadly in line with expectations.

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### Treasury Management Prudential Indicators

The first treasury indicator requires the adoption of the CIPFA Code of practice on Treasury Management. This Council adopted the Code of Practice on Treasury Management on 1st March 2011 (revised 2021), and as a result adopted a Treasury Management Policy & Practices statement.

There are four further indicators:

**Upper Limits On Variable Rate Exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

**Upper Limits On Fixed Rate Exposure** – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

These indicators are complemented by four local indicators:

- Limit on fixed interest rate investments
- Limit on fixed interest rate debt
- Limit on variable rate investments
- Limit on variable rate debt

During the first half of the year the highest and lowest exposure to fixed and variable rates were as follows:

Indicators 11 & 12	2022/23 Limit (Upper) £million	2022/23 Max Q1 & Q2 £million	2022/23 Min Q1 & Q2 £million
<b>Upper limits on interest rate exposures</b>			
Upper limits on fixed interest rates	134.0	104	90
Upper limits on variable interest rates	55.4	(34)	(22)

\*Indicators are negative as they relate to investments only – the council has no variable rate debt

	2022/23 Limit %	2022/23 Max Q1 & Q2 %
<b>Local indicator limits based on debt only</b>		
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	0%
<b>Local indicator limits based on investments only</b>		
Limits on fixed interest rates	100%	64%
Limits on variable interest rates	75%	59%

The use of variable rate, instant access instruments increased at the beginning of the pandemic to ensure that the council had liquid funds available to meet payments to support businesses and council activities. The 75% limit on variable rate investments was exceeded on nil days between April and September.

**Maturity Structures Of Borrowing** – These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

Indicator 13	2022/23 Original Estimate £000	2022/23 Revised Estimate £000
<b>Maturity Structure of fixed borrowing (Upper Limits)</b>		
Under 12 months	40%	40%
12 months to 2 years	40%	40%
2 years to 5 years	60%	60%
5 years to 10 years	80%	80%
10 years and above	100%	100%
<b>Maturity Structure of fixed borrowing (Lower Limits)</b>		
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years and above*	10%	10%

As at 30<sup>th</sup> September 2022 the maturity structure of borrowing during the first half of the year was as follows:

Indicator 13	At 30/9/2022	At 31/3/2023
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<b>Maturity Structure of fixed borrowing</b>	<b>%</b>	<b>%</b>
Under 12 months	6%	6%
12 months to 2 years	10%	10%
2 years to 5 years	2%	2%
5 years to 10 years	9%	9%
10 years and over	73%	73%

**Total Principal Funds Invested** – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

<b>Indicator 14</b>	<b>2022/23 Original Estimate £000</b>	<b>2022/23 Revised Estimate £000</b>	<b>2023/24 Original Estimate £000</b>	<b>2023/24 Revised Estimate £000</b>	<b>2024/25 Original Estimate £000</b>	<b>2024/25 Revised Estimate £000</b>
Maximum principal sums invested > 1 year	£7m	£0m	£7m	£0m	£7m	£0m

As at 30<sup>th</sup> September 2022, there were no principal funds invested over 1 year.

### **Local Prudential Indicators**

In addition to the statutory and local indicators listed above the Director of Resources has set four additional local indicators aimed to add value and assist in the understanding of the main indicators. These are:

#### 1. Debt – Borrowing rate achieved against SONIA rate

	<b>2022/23 Target %</b>	<b>2022/23 Actual – 30<sup>th</sup> September %</b>
Debt – borrowing rate achieved (i.e. temporary borrowing of loans less than 1 year)	Less than SONIA rate	No temporary loans taken

#### 2. Investments – Investment rate achieved against the SONIA rate

<b>2022/23 Target %</b>	<b>2022/23 Average Actual – 30<sup>th</sup> September %</b>	<b>2022/23 Investment Interest Earned – 30<sup>th</sup> September £'000</b>
Greater than SONIA rate	Achieved average 1.302% compared to 1.22% SONIA rate	382

The interest rate achieved on investments compares favourably to the SONIA rate due to the use of fixed term, fixed rate investments, plus the greater use of semi-fixed rate call accounts and money market funds which pay a premium over the SONIA rate.

- Average rate of interest paid on the Council's debt during the year (this will evaluate performance in managing the debt portfolio to release revenue savings).

	<b>2022/23 Target %</b>	<b>2022/23 Average Q1&amp;Q2 %</b>
Average rate of interest paid on Council debt	4.25%	3.15%

- The amount of interest on debt as a percentage of gross revenue expenditure. The results against this indicator will be reported at the year-end.

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<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2021/22</b>
<b>REPORT BY:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>LEAD OFFICER:</b>	<b>COLLEEN WARREN, FINANCIAL SERVICES MANAGER</b>

**1. Purpose of Report**

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

**2. Executive Summary**

2.1 The Statement of Accounts (SOA) for 2021/22 provide a comprehensive picture of the Council's financial circumstances and are compiled to demonstrate probity and stewardship of public funds.

2.2 The Council is statutorily required to publish its Statement of Accounts for 2021/22 with an audit opinion and certificate by no later than 30<sup>th</sup> September 2022. This date has been extended, for a period of 5-years, from the ordinary deadline of 31<sup>st</sup> July in response to a recommendation made by Sir Tony Redmond in his independent report into the effectiveness of external audit and transparency of financial reporting in local authorities and is intended to reduce the pressure on authorities (and auditors) to comply with legal deadlines. However, the Accounts and Audit (Amendment) Regulations 2022 further amended the audit deadline for the 2021/22 Statement of Accounts 30<sup>th</sup> November 2022.

2.3 The Executive should note that the Statement of Accounts for 2021/22 are still subject to final verification by external audit. The audit of the accounts is being finalised by Mazars, who commenced the audit in July. The majority of the audit work has now been completed by Mazars, however should any material changes be necessary as a result of this final external work, these will be reported back to a meeting of this Committee by the Chief Finance Officer.

2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from Mazars, this ran from 1st August until 12<sup>th</sup> August 2022 and the External Auditor was available to answer questions during that period, however no questions were received.

2.5 During the completion of the external audit no misstatements above the threshold level of £49k were found.

2.6 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement),



which sits alongside the Statement of Accounts. The overall level of assurance provided in 2021/22 was substantial (green) and is in line with our Code of Corporate Governance. However, there is one significant issue that has been identified. This is in respect of IT Disaster Recovery, an issue which was included in the previous year's AGS. Although progress has been made over the last twelve months it was felt that this issue should remain on the list of significant issues, and progress against the actions will be regularly reported by management to the Audit Committee. There were no new significant issues identified in 2021/22.

### **3. Background**

3.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be certified by the Council's Chief Finance Officer by the 31<sup>st</sup> May each year. However, amended Regulations in 2021 have relaxed to this date until 31<sup>st</sup> July for the financial years 2020/21 and 2021/22. The Accounts were then released to be audited by the Council's external auditor, Mazars. After completion of the audit the accounts must be published with the audit opinion and certificate, and before that must have been approved by Full Council, normally by no later than 31<sup>st</sup> July each year, in line with the amended Regulations, however, this date has also been relaxed to 30<sup>th</sup> November 2022. The timescales involved with the approval of the Statement of Accounts for 2021/22 are subject to confirmation:

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

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

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

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

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

##### 4.1 The Comprehensive Income and Expenditure Statement

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (SOA page 25) – in line with statutory accounting practice the Comprehensive Income and Expenditure Statement (CIES) shows the Council's actual performance for the year measured in terms of the resources consumed and generated over the last 12 months. It should not be misinterpreted as the financial outturn position of the Council as this statement contains a number of accounting entries required under International Financial Reporting Standards (IFRS). Regulation allows local authorities to reverse these amounts out of the accounts before determining their outturn position. There is a note to the accounts (Expenditure & Funding Analysis (SOA page 55)) that adjusts the expenditure that is chargeable to general fund and the HRA balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £18.924m in the CIES to the outturn position of a decrease in General Fund Balances of £0.465m and a decrease on HRA balances of £0.049m as reported in the Financial Outturn report (Executive 20<sup>th</sup> June 2022).

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

*Of which:*

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

*Of which:*

<b>HRA</b>	£m	£m
Net (surplus)/deficit on the Provision of Services		(22,336)
Adjust for:		

Depreciation, revaluation losses and gains & impairment of non-current assets	16.071	
Direct Revenue financing of capital expenditure	0.021	
Gain/loss on the sale of non-current assets	0.904	
Contribution to/from the pensions reserve	(1.697)	
Short-term compensated absences	0.037	
Capital grants & contributions unapplied credited to CI&ES	4.353	
Transfer to/from the HRA	2.365	
Transfer to/from Earmarked reserves	0.331	
<b>Total Adjustments</b>		<b>22.385</b>
<b>(Increase)/decrease in HRA Balances</b>		<b>0.049</b>
<b>Overall (Increase)/decrease in Balances</b>		<b>(0.514)</b>

4.1.2 Clearly the most significant issue for Members to be aware of from the Comprehensive Income and Expenditure Statement is how the Council performed financially in 2021/22, in comparison to the revised budget for the year. As previously reported, there was a projected underspend against the General Fund budget of £0.057m at quarter 3, this underspend has decreased and provisional outturn is now an overall budget surplus of £0.009m.

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

4.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (SOA page 3) and were subject to a separate report to Performance Scrutiny Committee and Executive 16th June 2022 and 20<sup>th</sup> June 2022, respectively.

## 4.2 The Balance Sheet (SOA page 26)

4.2.1 **The Balance Sheet** is fundamental to understanding the Council's financial position at the year-end. It shows the Council's balances and reserves, long-term indebtedness, and the non-current and current assets employed in the Council's operations. The key information for members to be aware of in the Balance Sheet as at 31<sup>st</sup> March 2022 are:

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

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

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

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

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

4.2.4 **Liquidity** – a reliable indication of liquidity is the ratio of current assets (excluding inventories) to current liabilities. The Council’s current assets (excluding inventories) of £76.19m exceed current liabilities of £58.862m by a ratio of 1.3:1, which represents a decrease from the previous year’s ratio of 1.49:1. This is due to an increase in short-term borrowing and short-term creditors.

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

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

### 4.3 Cross Cutting Key Issues

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

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

- **The value of non-current assets and assets held for sale in the Balance Sheet has increased by £25m (9.4%) to £455m between 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022 (see the Balance Sheet and Notes 14,**

15 and 16 for further detail). This net increase is the result of a number of factors:

- **Revaluations** - The Council's Assets are valued on a rolling programme, which ensures each asset is re-valued every 5 years as at the 31<sup>st</sup> March. In addition to this, all assets are reviewed for any material change in their value at the end of each financial year. The results for 21/22 have seen an **overall increase in value of £15.5m**, which is the net result of valuation gains and losses across a range of assets.

Accounting rules require that where a balance has not built up on the Revaluation Reserve for an individual asset (a reserve which holds accumulated gains following previous revaluations upwards) then any revaluation losses (downwards revaluation in asset values) must be recognised in the Comprehensive Income and Expenditure Statement (CI&ES) and then reversed out in the Movement in Reserves Statement before it impacts on Council Tax payers. Accounting rules also require that where a revaluation loss previously recognised in the CI&ES on an individual asset is subsequently reversed by an upwards revaluation, then the revaluation gain should be recognised in the Comprehensive Income and Expenditure Statement up to the value of the original revaluation loss. Within the £15.5m net upwards movements due to revaluation gains and losses in 21/22, there were:

- **£14.7m of net revaluation gain** required to be charged to Cost of Services in the CIES. This is mainly due to reflecting the social housing value of housing stock (£16.071m).
- **£0.815m of net upwards revaluations** were reflected in the Revaluation Reserve (shown in Other Comprehensive Income and Expenditure in the CIES). This was mainly due to the upward revaluation (£1.8m) an increase in the council's land and buildings.
- **Additions - New capital investment in assets belonging to the Council totalled £20.218m.** The main areas of expenditure include £11.4m spent on the Council's new build and acquisition programme, £3.8m improving Council dwellings including re-roofing, kitchens and landscaping, £2.5m on refurbishing the crematorium and £0.512m improving our leisure facilities, parks and open spaces. To pay for this investment, the Council has used £9.8m of capital grants and contributions, £1.34m of capital receipts, £3.84m of the Major Repairs Reserve, £6.68m of unsupported borrowing, and £0.215m of direct revenue financing.
- **Depreciation** – a charge is made to the Comprehensive Income and Expenditure account for depreciation to reflect the use of assets in the provision of services during the year. The value of non-current assets in the Balance Sheet is reduced by an

equivalent amount. For General Fund services this charge is reversed out in the Movement in Reserves Statement (MiRS) and replaced with a statutory charge for the repayment of debt. In the HRA under self-financing, depreciation is a real charge to the service however, it is set aside in the Major Repairs Reserve for future investment in the housing stock. **In 2021/22 total depreciation was £9.251m** (of which £1.9m was charged for non-HRA dwellings and was replaced in the MiRS with £1.5m for the repayment of debt and £7.4m depreciation was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £2.340m in the Balance Sheet were disposed** of in 2021/22. This included 55 Right to Buy sales of council dwellings.

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

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

Full details are provided in Note 44 to the accounts – Defined Benefit Pension Schemes (*SOA page 104*) The impact of these accounting requirements in the core financial statements are:

- **Comprehensive Income & Expenditure Statement (CIES)** - The cost of retirement benefits in the CIES is shown as an actuarial estimate of £5.233m reflecting the retirement benefits earned during 2021/22 and to be funded in the future. This includes £7.803m current service costs and a net interest cost on the defined benefit obligations of £2.077m. This net cost is reversed out in the Movement in Reserves Statement (MiRS) and is replaced by the actual amount charged for pension contributions in the year of £4.899m.

- **Balance Sheet** – The Pension Reserve shows the underlying commitments that the Council has in the long term to pay retirement benefits based on an assessment by the pension schemes actuary. The balance on the Pensions Reserve is the net position of the scheme’s liabilities and assets. During 2021/22 the net liability has decreased by £21.190m to £84.949m. The actuarial assumptions are detailed in note 44 to the accounts ‘Defined benefit pension scheme’.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £84.949m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The financial position of the Council remains healthy.

4.3.4 **Officer Remuneration** – note 35 to the accounts (*SOA page 94*) details senior staff salaries and the number of employees receiving more than £50k remuneration during the year (this includes receipt of any redundancy payments). Also detailed within the note is the redundancy/pension/payment in lieu costs paid in year, in line with Executive approvals of Towards Financial Sustainability business cases and the Council’s redundancy policy.

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

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

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

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

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

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

## 5. **Strategic Priorities**

5.1 The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Vision 2025 and Strategic Priorities during the financial year 2021/22.

5.2 Communication - The final Statement of Accounts will be published on the Council website by 30<sup>th</sup> November 2022, in addition the summary version of the accounts published in the Council's Annual Report.

## 6. **Organisational Impacts**

6.1 Finance - The financial implications are contained throughout this report.

6.2 Legal - In accordance with the Accounts and Audit (Amendment) Regulations 2022 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 30<sup>th</sup> November 2022.

6.3 Equality, Diversity and Human Rights

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

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

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

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



**7. Risk Implications**

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

**8. Recommendation**

8.1 Executive are invited to scrutinise the Statement of Accounts and make any comments to full Council on the 29<sup>th</sup> November 2022.

**Key Decision** No

**Key Decision Reference No.** N/A

**Do the Exempt Information Categories Apply** No

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

**Does the report contain Appendices?** Yes

**List of Background Papers:** Medium Term Financial Strategy 2021-2026  
Financial Performance - Outturn 2021/22

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

## SUMMARY ACCOUNTS 2021/22

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

### Income and Expenditure

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

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

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

## Balance Sheet

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

Here is a summary of the Balance Sheet as at 31 March 2022

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

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

## Cash Flow Statement

This table shows the flow of cash during the year:

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

## Housing Revenue Account

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

### Number of properties

The Council owns 7,806 homes, consisting of the following types:

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

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

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

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

## Capital Expenditure

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

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

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

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

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



# STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022



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**An introduction to the City of Lincoln's 2021/22 Statement of Accounts by J Gibson, Chief Finance Officer, Section 151 Officer.**

**The Statement of Accounts**

The purpose of the Accounts, which follow, is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The Accounts show the financial performance for 2021/22 and the financial position at 31 March 2022. The Accounts present expenditure and income incurred by the Council in the financial year 2021/22 and highlight changes in the financial position of the Council over the course of the year.

The accounts of the Council are, by their nature, both technical and complex. The information contained within the Accounts for 2021/22 is presented as simply and clearly as possible and the Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2022 and its financial prospects.

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

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

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

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

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

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

**The Core Financial Statements**, comprising:

- **The Movements in Reserves Statement** – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this statement shows the accounting cost in the year of providing services in accordance with accounting standards, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with



regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet** – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.
- **The Cash Flow Statement** – this statement shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

**The Supplementary Statements**, comprising:

- **The Housing Revenue Income and Expenditure Statement** - this statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **The Movement on the HRA Statement** – this statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.
- **The Collection Fund Statement** - this statement is an agent's statement that reflects the statutory obligation for billing authorities (such as the City of Lincoln Council) to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from Council Tax and Business Rate payers and distribution to Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (PCCL) and Government of Council Tax and National Non-Domestic Rates (NNDR).

### **Financial Summary 2021/22**

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

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

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

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

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

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

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

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

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

In response to this challenging financial environment, we have continued to embrace a forward thinking and ambitious approach in maintaining a sound financial position. We have a strong track record of planning ahead, securing savings in advance, shifting away from traditional cost cutting exercises to more ambitious and forward-thinking opportunities, re-investing in more efficient ways of working, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks. This is an approach that has served the Council well and allowed us to deliver savings in excess of £10m over the last decade, a significant reduction in comparison to the overall net expenditure budget.

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

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

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

## **Performance**

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

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

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

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

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

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

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

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



## Revenue Income and Expenditure

### General Fund

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

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

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

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

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

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



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

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

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

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



### **Housing Revenue Account**

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

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

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

The impacts have been through:

- A lack of labour force in the Housing Repairs Service

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

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

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

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

As at 31 March 2022, the Council held £3.905m HRA revenue reserves, comprising £2.880m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.025m non-earmarked general reserves.



## Capital Expenditure

(Note 39)

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

Capital spending in the year was £21.9m compared to the revised approved programme budget of £31m, representing an underspend of £9.1m against the profiled budget. The variance in 2021/22 is mostly due to the re-profiling of schemes within the general fund and housing programmes resulting from the delays in delivery of schemes due to the impacts of Covid19. The 2021/22 capital spending and funding position is summarised as follows:

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

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

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

## Capital Financing

The Council's capital programme is funded by a number of sources including the application of capital receipts, capital grants, contributions from the revenue account and long-term borrowing. A summary of significant transactions in capital funding in 2021/2022 is provided below:

### Capital Receipts (Note 9)

The Council utilised £1.34m of capital receipts and received £2.67m of capital receipts in the year. The majority of these will be used to support the new build programme within the Housing Investment Programme and investment in the housing stock.

### Major Repairs Reserve (Note 9)

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



### Long Term Borrowing (Note 18)

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

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

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

The Council's level of total principal debt outstanding (long and short-term), (excluding loans of £0.03m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2022 was £125.2m.

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

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

This means that the borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered prudent whilst investment returns are currently low and internal balances allow for this. Additional long-term borrowing will be taken in 2022/22 and future years to bring levels up to the Council's borrowing requirement, subject to liquidity requirements, if preferential interest rates are available.

### **Pension Costs** (Note 44)

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

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

The Balance Sheet presents a decrease in the estimated Pension Fund Reserve net liability over the 2021/22 year of £20.018m, down from £106.140m at 1 April 2021 to £86.122m at 31 March 2022. This decrease in the Pension Fund deficit resulted mainly from changes in financial assumptions following the latest actuarial report. This is recognised as re-measurements on defined benefit obligation, which is shown in Other

Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The statutory arrangements for funding the remaining liability of £86.122m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2019, the results at that time identified that there has been a significant improvement in the funding position since the last actuarial review from a 69% funding level to 84%.

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

This stabilisation approach has allowed the annual increase in the contribution rate to be capped at 1% p.a. over the period 2017/18 to 2019/20. Based on the latest triennial valuation rates will continue to be capped at 1% p.a. over the next three year period to 2022/23.



### **Future Plans**

Vision 2025 sets out the Council's vision for the future of the city, strategic priorities and core values. Although the Vision looks ahead for up to 30 years it specifically includes a programme of activity up to 2025, which seeks to not only deal with the most pressing issues in the city, but also details how the Council will work, with others, to further grow Lincoln's economy.

The Council's vision for 2025 remains as;

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

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

The five strategic priorities are:

- Let's drive inclusive economic growth

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

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

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

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



## General Fund

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

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

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

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

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

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

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

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

### **Housing Revenue Account (HRA)**

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

It was anticipated that there would be greater certainty about future income as councils were no longer subject to annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment.

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



- the long-term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition
- identifies resources for its initial Council House New Build Programme.

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

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

### **Capital Expenditure**

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

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



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

The Housing element of the capital programme represents the largest element of capital expenditure over the next 5 years and is funded through a combination of borrowing and revenue contributions from the Housing Revenue Account (HRA) through both depreciation charges and direct revenue contributions. The HRA Business Plan includes the release of capital resource to fund significant capital

investment in new housing stock over the medium term. It is critical that there continues robust budget management of the HRA to continue to allow the required investment.

## Cash flows

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

- Actual Business Rates base in year compared to the assumed levels in the budget, and the ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city as well as potential reductions arising from the current economic conditions and legacy of Covid19.
- Collection rates for Council Tax, Business Rates and Rents, which continue to be detrimentally impacted by Covid19 and the current cost of living crisis.
- Income received compared to income targets (e.g. car parking, planning and building control), income in these areas plummeted during 'lockdown' and whilst they are now recovering and reductions have been factored into future years budgets, there is still a significant amount of uncertainty.
- Interest rates achieved on investments and secured on new borrowing
- Timescale for payment of invoices and collection of debts.
- Profile of capital spending and funding over the MTFs.

## Summary

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

Whilst addressing the financial challenges we face in the forthcoming years we will also continue to maintain the correct balance between these challenges and ensuring that our limited resources are directed towards the Council's strategic priorities.

Vision 2025 is supported by a programme of activity, resourced through the Medium Term Financial Strategy, that seeks to not only deal with the most pressing issues in the city, but also how the Council will work, with others, to embrace and help recover Lincoln's economy through schemes such as delivering homes and infrastructure, stimulating jobs and growth, tackling climate change, providing and enhancing support systems for our vulnerable residents, and delivering the Towns Deal Programme. The recovery and growth of the City's economy is now more important than ever.





## **Group Accounts**

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



The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council contributed £99k to the service which is contained within the Communities and Environment line of the CIES. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. The Council contributed £1.267m to the service which is contained within the Chief Executive's Directorate line in the CIES. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. Under these arrangements the ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

## **Further Information**

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

J Gibson FCCA  
Chief Finance Officer  
(Section 151 Officer)

## COUNCIL APPROVAL

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

Councillor Rosie Kirk  
Chair of Council

Date:

## THE STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required:

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

### The Chief Finance Officer Responsibilities

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

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

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

The Chief Finance Officer has also:

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

The Accounts present a true and fair view of the financial position of the Authority at 31 March 2022 and its income and expenditure for the year ended on that date.

J Gibson FCCA  
Chief Finance Officer  
Date: xxx 2022

## MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2020</b>	2,236	11,588	999	9,167	5,147	5,224	34,361	203,278	237,638
<b>Movement in reserves during 2020/21</b>									
Surplus or (deficit) on provision of services	(3,393)	0	15,967	0	0	0	12,574	0	12,574
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(23,028)	(23,028)
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,393)</b>	<b>0</b>	<b>15,967</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,574</b>	<b>(23,028)</b>	<b>(10,454)</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	16,951	0	(14,563)	4,972	(636)	(1,198)	5,526	(5,526)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>13,558</b>	<b>0</b>	<b>1,404</b>	<b>4,972</b>	<b>(636)</b>	<b>(1,198)</b>	<b>18,100</b>	<b>(28,554)</b>	<b>(10,454)</b>
Transfers (to)/from Earmarked Reserves	(13,126)	14,455	(1,329)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>432</b>	<b>14,455</b>	<b>75</b>	<b>4,972</b>	<b>(636)</b>	<b>(1,198)</b>	<b>18,100</b>	<b>(28,554)</b>	<b>(10,454)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>2,668</b>	<b>26,043</b>	<b>1,074</b>	<b>14,139</b>	<b>4,511</b>	<b>4,026</b>	<b>52,461</b>	<b>174,723</b>	<b>227,184</b>

## MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 21</b>	2,668	26,043	1,074	14,139	4,511	4,026	52,461	174,723	227,184
<b>Movement in reserves during 2021/22</b>									
Surplus or (deficit) on provision of services	(3,412)	0	22,336	0	0	0	18,924	0	18,924
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	29,235	29,235
<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)	(21,292)	21,292	0
<b>Net Increase/Decrease before Transfers (to)/from Reserves</b>	<b>(7,865)</b>	<b>0</b>	<b>282</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>1,474</b>	<b>45,502</b>	<b>46,976</b>
Transfers (to)/from Earmarked Reserves	7,400	(7,068)	(332)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>(465)</b>	<b>(7,068)</b>	<b>(50)</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>(2,368)</b>	<b>50,527</b>	<b>48,159</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>2,203</b>	<b>18,976</b>	<b>1,025</b>	<b>20,087</b>	<b>5,707</b>	<b>2,097</b>	<b>50,095</b>	<b>225,248</b>	<b>275,344</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

2020/21			Note	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
37,122	(29,718)	7,403	Chief Executive's Directorate	34,812	(27,382)	7,430
3,023	(2,486)	538	Housing and Regeneration	3,663	(2,794)	869
9,573	(29,076)	(19,503)	Housing Revenue Account (HRA)	8,475	(30,080)	(21,605)
22,007	(10,537)	11,470	Communities and Environment	23,271	(12,589)	10,682
803	(234)	569	Major Developments	1,707	(811)	896
(123)	(497)	(621)	Corporate Services	(422)	(454)	(876)
<b>72,405</b>	<b>(72,549)</b>	<b>(144)</b>	<b>Cost of Services</b>	<b>71,507</b>	<b>(74,110)</b>	<b>(2,604)</b>
		1,206	Other Operating Expenditure			467
		4,964	Financing and Investment Income and Expenditure	11		4,854
		(18,600)	Taxation and Non-Specific Grant Income	12		(21,641)
		<b>(12,574)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	13		<b>(18,924)</b>
		2,550	(Surplus) or deficit on revaluation of non-current assets	14		(2,990)
		0	Impairment Losses on Non- Current Assets charged to the Revaluation Reserve			0
		19	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	26e		(63)
		20,459	Total re-measurements on defined benefit obligation	44		(26,182)
		<b>23,028</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(29,235)</b>
		<b>10,454</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(48,159)</b>

## BALANCE SHEET AS AT 31 MARCH 2022

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

## CASH FLOW STATEMENT

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



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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 2021/22 financial year and its position at the year-end of 31 March 2022. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Accounts and Audit Regulations 2015.

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

#### 2. Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **7. Employee Benefits**

### **Benefits payable during employment**

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

## **Termination benefits**

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

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

## **Post-Employment Benefits**

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

## **The Local Government Pension Scheme**

The Local Government Scheme is a defined benefits scheme.

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

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

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

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

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

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

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result

of an award to any member of staff are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

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

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

## **9. Financial Instruments**

### **Financial Liabilities**

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

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

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



## **Financial Assets**

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

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

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

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

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

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

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



### **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

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

## **10. Foreign Currency Translation**

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

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

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue

grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **Business Improvement Districts**

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

### **Community Infrastructure Levy**

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

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

## **12. Intangible Assets**

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

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

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

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

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

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

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

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

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

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

### **15. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## **16. Joint Operations**

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

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

## **17. Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is

required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

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

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

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

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

Assets that have physical substance and are held for use in the supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, with a de-minimis level of £10,000.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. Repairs and maintenance) is charged as an expense when it is incurred. Generally, a de-minimis level of £10,000 is applied however qualifying expenditure on assets which is lower than £10,000 but where the asset value exceeds this is recognised as capital expenditure.

#### **Measurement**



Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the



Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- Dwellings and Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer

- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

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

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

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

## **20. Heritage Assets**

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

- Civic Insignia
- Art and Sculptures
- Ancient Monuments and War Memorials
- Miscellaneous

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

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

- **Civic Insignia**

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

- **Art and Sculptures**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

### **Heritage Assets – General**

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

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

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

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

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

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

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

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

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

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

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **23. Reserves**

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

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

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

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

## **25. VAT**

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

## 26. Fair Value

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

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

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

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

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

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

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

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

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

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

These changes are not expected to have a material impact.

### Note 3 – Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- **Local Government funding** - There is a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate.
- **Group Boundaries** - The Council has a collaborative arrangement with Lincolnshire County Council, North Kesteven and West Lindsey District Council to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as a Joint Operation, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.
- **Leases** - The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.



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

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

The items in the Council's Balance Sheet as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<p><b>Business Rates</b></p> <p>(Balance Sheet 31 March 2022 – Provision for Business Rate Appeals £2.067m)</p>	<p>Since the introduction of the Business Rates Retention Scheme effective from April 2013, local authorities are liable for successful appeals against business rates charges to businesses in 2021/22 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31<sup>st</sup> March 2021. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date.</p>	<p>The Council's share (40%) of the balance of business rates appeals as at 31 March 2022 amounted to £2.067m, a decrease of £0.381m (16%) from the previous year.</p> <p>An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.207m.</p>
<p><b>Property, Plant and Equipment (PPE)</b></p> <p>(Balance Sheet 31 March 2022 – PPE £416m)</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.</p> <p>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.</p>	<p>If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.0743m and for council dwellings £0.237m for every year that the useful lives had to be reduced.</p> <p>The Gross Book Value (GBV) of the Council's operational property assets is £416m at 31 March 2021. A 1% change in these asset valuations would result in a £4.16m change in their GBV.</p>
<p><b>Assets held for sale and investment properties</b></p>	<p>Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed</p>	<p>A 1% reduction in the value of investment properties and assets held for sale would result in a</p>

(Balance Sheet 31 March 2022 - assets held for sale £1.5m - Investment properties £36m)	market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.	charge to the Comprehensive Income & Expenditure Statement of £0.375m; a 1% increase in value would result in the recognition of a gain of £0.375m in the Comprehensive Income & Expenditure Statement.
<b>Arrears</b>  Balance Sheet 31 March 2022 - Debtors total of £29.054m includes £4.133m debtors (subject to arrears)	As at 31 March 2022, the Council had a balance on current debtors of £29.054m. A review of significant balances suggested that an impairment of doubtful debts of £4.133m was required.	If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.21m to be set aside as an allowance.
<b>Pension Liability</b>  (Balance Sheet 31 March 2022 - pensions liability £86.122m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Barnett Waddington) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.578m.
<b>Investments</b> (Balance Sheet 31 March 2022 Short Term - £49.878m Long Term - £0.816m)	At 31 March 2022, the Council held £49.878m of short term investments. These comprise £28.8m invested in AAA-rated instant access Money Market Funds and £21m invested in A-rated UK institutions, all for periods of up to 1 year.	As most of the investments are either in AAA-rated MMF's or short-term deposits in A-rated UK banks, the risk of impairment is considered to be minimal.
<b>Pension Fund Property Investment Assets</b> Balance Sheet 31 March 2022 – Share of Other Net Long-Term Liability £12.675m	The Council's net pension liability and disclosed at note 44 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets. The valuation of the Fund's property investment assets may be impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global.	Less certainty and a higher degree of caution should be attached to the Council's share of these pension fund assets. The Council's actuary has estimated that the value of the Council's share of these property investment assets at 31 March 2022 was £12.675m.

### Note 5 – Prior Period Adjustment

None

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 6<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 – Expenditure and Funding Analysis

2020/21				2021/22				
Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
5,848	(954)	2,509	7,403	Chief Executive's Directorate	6,710	(1,021)	1,741	7,430
212	0	326	538	Housing and Regeneration	397	0	472	869
(4,034)	0	(15,469)	(19,503)	Housing Revenue Account (HRA)	(1,643)	0	(19,962)	(21,605)
6,601	0	4,869	11,470	Communities and Environment	6,556	0	4,126	10,682
409	0	160	569	Major Developments	687	0	209	896
(295)	850	(1,176)	(621)	Corporate Services	(389)	871	(1,358)	(876)
<b>8,742</b>	<b>(104)</b>	<b>(8,782)</b>	<b>(144)</b>	<b>Net Cost Of Services</b>	<b>12,318</b>	<b>(150)</b>	<b>(14,772)</b>	<b>(2,604)</b>
(23,704)	104	11,170	(12,430)	Other Income and Expenditure	(4,737)	150	(11,733)	(16,320)
<b>(14,962)</b>	<b>0</b>	<b>2,388</b>	<b>(12,574)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,581</b>	<b>0</b>	<b>(26,505)</b>	<b>(18,924)</b>
<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>		<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>
<b>(13,825)</b>		<b>(995)</b>	<b>(14,820)</b>	Opening Balance	<b>(28,711)</b>		<b>(1,074)</b>	<b>(29,785)</b>
(14,887)		(75)	(14,962)	Less/ Plus Surplus or (Deficit) in Year	7,534		49	7,583
<b>(28,712)</b>		<b>(1,070)</b>	<b>(29,782)</b>	Closing Balance at 31 March	<b>(21,177)</b>		<b>(1,025)</b>	<b>(22,202)</b>

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

**Note 7A – Note to the Expenditure and Funding Analysis**

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

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

## Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

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

## Note 8 – Expenditure and Income Analysed by Nature

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

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

## **Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulations**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital

expenditure against which it can be applied and/or the financial year in which this can take place.



2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,284	1,697	0	0	0	<b>4,981</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(7,558)	0	0	0	0	<b>(7,558)</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	(64)	(37)	0	0	0	<b>(101)</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,026	(18,142)	0	7,425	7,892	<b>(1,799)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>(3,314)</b>	<b>(16,482)</b>	<b>0</b>	<b>7,425</b>	<b>7,892</b>	<b>(4,479)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(30)	(3,257)	3,287	0	0	<b>0</b>
Admin costs of RTB	0	72	(72)	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,365)	0	2,365	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,444)	0	(150)	0	0	<b>(1,594)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(194)	(21)	0	0	0	<b>(215)</b>

2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,139)</b>	<b>(5,572)</b>	<b>2,537</b>	<b>2,365</b>	<b>0</b>	<b>(1,809)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,340)	0	0	<b>(1,340)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,842)	0	<b>(3,842)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(9,821)	<b>(9,821)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,340)</b>	<b>(3,842)</b>	<b>(9,821)</b>	<b>(15,003)</b>
<b>Total Adjustments</b>	<b>(4,453)</b>	<b>(22,054)</b>	<b>1,196</b>	<b>5,948</b>	<b>(1,929)</b>	<b>(21,292)</b>

2020/21	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,394	1,298	0	0	0	<b>3,692</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	11,768	0	0	0	0	<b>11,768</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	167	142	0	0	0	<b>309</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,735	(11,479)	0	6,698	3,355	<b>2,309</b>
<b>Total Adjustments to Revenue Resources</b>	<b>18,062</b>	<b>(10,039)</b>	<b>0</b>	<b>6,698</b>	<b>3,355</b>	<b>18,076</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(100)	(1,620)	1,720	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Admin Costs of RTB	0	42	(42)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,898)	0	2,898	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,507)	0	(150)	0	0	<b>(1,657)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(34)	(48)	0	0	0	<b>(82)</b>

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

## Note 10 – Movements in Earmarked Reserves

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

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

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

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

## Insurance Reserve

The insurance fund has been set up to ensure adequate funding for the insurance risk covered by the City of Lincoln Council. In **2021/22** the risk in respect of Public Liability Insurance had an excess of £100,000 (per claim) with no cap ceiling. The movements on the fund are as follows:

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

### Note 11 – Other Operating Expenditure

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

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

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

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

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



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

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

<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>

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

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

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

## Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment are to be measured at current value at least every five years.

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

Principal Property Surveyor	Mr P Clifton	MRICS
Director – Banks Long	James Butcher	BSc (Hons) MRICS

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

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

## Depreciation

### Tangible Assets

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

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

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

### Intangible Assets

Intangible assets are amortised to service headings within cost of services as part of the Comprehensive Income and Expenditure Statement on a straight-line basis, as stated in the Accounting Policies. The standard useful life, used for amortisation purposes is:

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

## Note 15 – Heritage Assets

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

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

## Civic Insignia

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

## Other Heritage Assets

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

## Heritage Assets not recognised in the Balance Sheet

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

### Scheduled Ancient Monuments

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

### Memorials

High Street	War memorial
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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

### 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>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
1,462	Rental income from investment property	1,994
(5)	Direct operating expenses arising from investment property	(19)
294	Fair value gains/(losses) on investment properties	408
0	Gains/(losses) on disposal of investment properties	0
<b><u>1,751</u></b>	<b>Net gain/(loss)</b>	<b><u>2,383</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>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>34,646</b>	<b>Balance at 1 April</b>	<b>34,203</b>
0	Additions	0
(100)	Disposals	0
294	Net gain/loss from Fair Value Adjustment	408
(637)	Transfers (to)/from Other Land and Buildings	1,406
<b><u>34,203</u></b>	<b>Balance at 31 March</b>	<b><u>36,016</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 2022 were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

## Surplus Assets

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

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

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

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

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

### Note 17 – Intangible Assets

Movements in the value of Intangible Assets are shown in note 14. No internally generated intangible assets are recognised in the Balance Sheet. The carrying

amount of intangible assets is amortised on a straight-line basis. Amortisation of £66k (£118k in 20/21) was charged to service headings in the Cost of Services.

### Note 18 – Financial Instruments

The Council has the following investments at 31 March 2022:

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

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

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

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

31 March 2022

	Unquoted Shares	Other	Total
	£000	£000	£000
<b>Opening Balance</b>	249	0	249
Transfers into level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period			
- Included in Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	63	0	63
Additions	0	0	0
Disposals	0	0	0
<b>Closing Balance</b>	<b>312</b>	<b>0</b>	<b>312</b>

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

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

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

\*Fair Value through Other Comprehensive Income

\*\* See table below for detail

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

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

### Financial Instrument Gains/Losses

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

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

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

## Fair Value of Financial Assets

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them. Assets measured at Fair value through other comprehensive income are classified in this way due to the business model under which they are being held and that they have features which are not usually found in a basic lending agreement.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy**	Valuation technique used to measure fair value	As at 31/3/22	As at 31/3/21
			£'000	£'000
Fair Value OCI				
Equity shareholding in Dunham Bridge Company	Level 2	Average price obtained during the last three share sales	504	504
Equity shareholding in Investors in Lincoln	Level 3	Discounted cash flow *	312	249
<b>Total</b>			<b>816</b>	<b>753</b>

\* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £311,486 has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and assuming future profit will remain the same as current year profit.

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

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

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

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

The fair values calculated are as follows:

### Financial Liabilities

31/03/21				31/03/22	
Carrying Amount	Fair Value		Fair Value hierarchy**	Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
93,354	106,461	PWLB Debt	Level 2	95,612	99,356
16,174	27,879	Money Market Debt	Level 2	16,174	25,339
565	565	Stock	Level 2	0	0
15,062	15,199	Other	Level 2/3	15,108	14,960
<b>125,155</b>	<b>150,104</b>	<b>Total Debt</b>		<b>126,894</b>	<b>139,655</b>

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

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

### Financial Assets

31/03/21			31/03/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
33,907	33,907	Money Market Investments <1 year	49,878	49,878
0	0	Money Market Investments >1 year	0	0
837	837	Long Term Debtors	724	724
<b>34,744</b>	<b>34,744</b>	<b>Total Investments</b>	<b>50,602</b>	<b>50,602</b>

The fair value of Public Works Loan Board (PWLB) loans of £99.356m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £95.612m would be valued at £99.356m. But, if the Council were to seek to avoid the

projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £115.345m.

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

### Note 19 – Inventories

In undertaking its work the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The note for 2020/21 has been revised and the figure shown in the Balance Sheet may be subdivided as follows:

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

### Note 20 – Debtors

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

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

## **Debtors for Local Taxation**

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

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

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

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

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

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

## **Note 22 – Assets Held for Sale**

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

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

## Note 23 – Creditors

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

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



## Note 24 – Provisions

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

	<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 2021</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,448)</b>
Additional Provisions made in 2021/22	0	0	(947)
Amounts used in 2021/22	0	0	306
Unused Amounts Reversed in 2021/22	0	0	1,022
Unwinding of Discounting in 2021/22	0	0	0
<b>Balance at 31 March 2022</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,067)</b>

The provision for business rate appeals represents the Council's share (40% of £5.168m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

## Note 25 – Usable Reserves

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

## Note 26 – Unusable Reserves

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

Reserve	Balance 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	29,350	2,192	31,542	Store of gains on revaluation of assets	a) below
Pensions Reserve	(106,140)	20,018	(86,122)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	263,163	19,408	282,571	Store of capital resources set aside to meet past expenditure	b) below
Deferred Capital Receipts	57	0	57	Expected future repayments from sales of assets received in instalments	c) below
Financial Instruments Adjustment Account	(51)	3	(48)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	738	63	801	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	(196)	167	(29)	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below

Reserve	Balance 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Collection Fund Adjustment Account – NNDR	(11,428)	7,391	(4,037)	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(770)	101	(669)	Absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (i.e. annual leave entitlement carried forward at 31 March	g) below
	<b>174,723</b>	<b>49,343</b>	<b>224,066</b>		

#### a) Revaluation Reserve

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

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

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

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

#### b) Capital Adjustment Account

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

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

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

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

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

### c) Deferred Capital Receipts

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

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

### d) Financial Instruments Adjustment Account

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

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

### e) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases on the value of its investments measured at Fair Value through Other Comprehensive Income. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains lost or disposed of and the gains are realised.

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

#### f) Collection Fund Adjustment Account – Council Tax

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

2020/21 £'000		2021/22 £'000
(26)	<b>Balance 1 April</b>	196
222	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)
<u>196</u>	<b>Balance 31 March</b>	<u>29</u>

#### g) Collection Fund Adjustment Account – NNDR

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

2020/21 £'000		2021/22 £'000
(118)	<b>Balance 1 April</b>	11,428
11,546	Amount by which council non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(7,391)
<u>11,428</u>	<b>Balance 31 March</b>	<u>4,037</u>

#### h) Accumulated Absences Account

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

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

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

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

The cash flows for operating activities include the following items:

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

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

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

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

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



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

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

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

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

Reconciliation of liabilities arising from financing activities

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

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

### Note 32 – Trading Operations

The Council operates a Housing Repairs Service (HRS), which carries out day to day maintenance on council housing and other public buildings as well as environmental works, street furniture etc. It also manages a number of industrial estates and commercial properties.

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

### Note 33 – Agency Services

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

### Note 34 – Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 requires local authorities to publish the amounts paid to members under the members' allowance scheme.

The payments made to the City of Lincoln Council members during 2021/22 totalled £245,456 (£249,438 in 2020/21).

Payments are defined as:

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

## Note 35 – Officers’ Remuneration

The Accounts and Audit Regulations 2015 require the Council to disclose remuneration paid to senior employees.

For the purposes of the regulation senior employees are persons whose salary is in excess of £150,000 per year or whose salary is £50,000 or more and are deemed to have responsibility for the management of the Council to the extent that they have the power to direct or control the major activities. The remuneration paid to the Council’s senior employees is as follows:

### Officers’ Emoluments – Senior Employees

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

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

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

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

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

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

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

The figure above for 2021/22 includes no employees for whom an exit package was agreed.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
£0 - £20,000	0	0	9	4	9	4	103,264	32,934
£20,001 - £40,000	0	0	4	4	4	4	108,353	122,870
£40,001 - £60,000	0	0	0	4	0	4	0	176,082
£60,001 - £80,000	0	0	0	1	0	1	0	60,530
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings							211,617	392,416
Add: Amounts provided for in CIES not included in bandings							0	0
<b>Total cost included in CIES</b>							<b>211,617</b>	<b>392,416</b>

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

### Note 36 – External Audit Costs

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

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

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

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

### Note 37 – Grant Income

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

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

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

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

### Note 38 – Related Parties

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

**Members/Officers** - For 2021/22 the Council sent a letter, dated 1 April 2022, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, two Members and two Officers declared pecuniary interests in accordance with section 117 of the Local Government Act 1972.

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

Name of Organisation	Member Representative	Officer Representative
Upper Witham – Drainage Board	Councillor G Hewson Councillor R Longbottom Councillor P Vaughan	Chief Executive
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan Councillor B Bean	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Lincoln Dial-a-Ride	Councillor G Hewson	Chief Executive

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

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

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

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

**Other Bodies** - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2021/22 were as follows:

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

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

**2020/21**

**2021/22**



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

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

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

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2021, showing net assets of £4.485m and a profit of £38,150. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

The Council is fully responsible for meeting the first £100,000 of any cumulative deficit on operating the managed workspace units. In the event that the cumulative deficiency exceeds £100,000 the Council shall meet 75% of the deficiency. In 2021/22 a surplus on the managed workspace units of £23,544 was attributable to the Council.

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

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

An amount of £4,861 was owed to ILL at 31st March 2022 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

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

### Note 39 – Capital Expenditure and Capital Financing

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

Total Capital expenditure and financing during the year:

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

The Council has a five-year Housing Investment programme, of which £4.465m is contractually committed for delivery in 2022/23. This relates to a partnership arrangement to ensure all our properties continue to meet Decent Homes Standard and move towards achieving The Lincoln Standard. In addition to this the Council also has a five-year General Investment Programme, of which £7.69m is contractually committed for delivery in 2022/23. Market refurbishment of £6.98m, IT and Telephony schemes (£0.083m), St Mary's Guildhall (£0.348m) and to allow completion of schemes

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

## Note 40 – Leases

### Council as Lessee

#### Finance Leases

The Council does not have any finance leases as Lessee.

#### Operating leases

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

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

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

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

### Council as Lessor

#### Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 2021/22.

## Operating Leases

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

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

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

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2021/22, £0.343m contingent rents were foregone by the Council (2020/21 £0.386m received).

### Note 41 – Impairment Losses

There were no impairment losses during 2021/22.

### Note 42 – Capitalisation of Borrowing Costs

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

### Note 43 – Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £0.392m (£0.212m in 2020/21) – see note 35 for the number of exit packages and total cost per band. These costs exclude any ill health retirements or departures as they are not termination benefits in accordance with the requirements of the code.

## Note 44 – Defined Benefit Pension Scheme

### Participation in Pension Schemes

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

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

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

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

### Transactions Relating to Retirement Benefits

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

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

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

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

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

## Reconciliation of Present Value of the scheme liabilities:

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

## Local Government Pension Scheme assets comprised:

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

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

### Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Barnett Waddington, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

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



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

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

### **Impact on the Council's Cash Flow**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

Employer contributions payable to the scheme in 2021/22 are estimated to be £4.981m.

#### **Note 45 – Contingent Liabilities**

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There is one contingent liability as at 31 March 2022.

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

#### **Note 46 – Contingent Assets**

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

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

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

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

#### **Overall Procedures for Managing Risk**

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

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by the adoption of a Treasury Management Policy Statement and treasury management clauses within its standing orders;
- ✓ by approving, annually in advance, prudential indicators for the following three years limiting:
  - The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum limits on the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 2<sup>nd</sup> March 2021. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website ([www.lincoln.gov.uk](http://www.lincoln.gov.uk)). The key issues during 2021/22 were:

- The Authorised Limit for 2021/22 was forecast to be £160m (revised to £140m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £145m (revised to £137m). This is the expected level of debt and other long-term liabilities during the year. The maximum amounts of fixed and variable interest rate exposure were set at £125m and £53m (mid year update) based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

### **Credit risk**

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

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

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

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

The full Investment Strategy for 2021/22 was approved by full Council on 2<sup>nd</sup> March 2021.

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

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

\*See Glossary for a definition of ratings

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

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

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

## Analysis of Investments by country of origin

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

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

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

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

### Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

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

The maturity analysis of financial liabilities is as follows: -

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

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

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

**Price risk** - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.82m 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.





## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2022, totalled 7,806 properties. The type of properties and the period in which they were built, were as follows:

Property Type	<1945 No.	1945-64 No.	1965-74 No.	>1974 No.	TOTAL No.
Low Rise Flats (Blocks up to 2 Storeys)					
1 Bed	43	888	561	536	2,028
2 Bed	5	119	80	105	309
3 Bed	0	0	12	1	13
<b>Sub-Total</b>	48	1,007	653	642	2,350
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	237	267	554
2 Bed	0	214	111	149	474
3 Bed	0	15	4	1	20
4 Bed	0	1	0	0	1
<b>Sub-Total</b>	0	280	352	417	1,049
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	55	138	0	193
2 Bed	0	30	71	0	101
<b>Sub-Total</b>	0	85	209	0	294
Houses / Bungalows					
1 Bed	157	143	32	25	357
2 Bed	715	757	98	330	1,900
3 Bed	789	537	68	303	1,697
4 or more Beds	96	25	1	28	150
<b>Sub-Total</b>	1,757	1,462	199	686	4,104
<b>Total Dwellings 31 March 2022</b>	<b>1,805</b>	<b>2,834</b>	<b>1,413</b>	<b>1,745</b>	<b>7,806</b>

### Note 2 – Housing Revenue Account Assets Valuation

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

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

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

The Balance Sheet value of HRA Assets is as follows:

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

### Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

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

### Note 4 – Major Repairs Reserve

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

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

## Note 5 – Housing Repairs Account

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

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

## Note 6 – Capital Expenditure in the year

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

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

\* REFCUS is created when expenditure has been incurred on items that are not capitalised as assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFUS is £0.000m for 2021/22 (£0.000m in 2020/21).

Prior to the implementation of HRA Self-financing on 1 April 2012, supported borrowing levels had been issued annually by Central Government, authorising the Council to borrow monies, which were funded by Central Government to cover capital expenditure. Additionally, the Council was able to take out unsupported or prudential borrowing, which must be financed from its own resources. Post self-financing implementation and the end of the housing subsidy system, all borrowing will be prudential borrowing. In 2021/22, there was £4.178m of prudential borrowing undertaken to fund the HRA capital investment.

## Note 7 - Capital Receipts

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

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

## Note 8 - Rent Arrears

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

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

A provision for doubtful debts of £284,251 has been made in this year's accounts in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of the bad debt provision held in the Balance Sheet at 31 March 2022 is £2.016m (£1.907m at 31 March 2021).

## Note 9 - Pension Costs

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

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

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

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



## NOTES TO THE COLLECTION FUND

### Note 1 - General

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

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. For 2021/22, the City of Lincoln's proportionate share remained consistent with that of 2020/21, as follows:

	<b>2021/22 'Pool'</b>
City of Lincoln	40%
Lincolnshire County Council	10%
Central Government	50%

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

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

## Note 2 - Council Tax Base

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

The Council Tax base for 2021/22 was 24,372.38 (24,689.50 in 2020/21). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2021/22 was approved at the Executive on 4<sup>th</sup> January 2021 and was calculated as follows:

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

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

Income received from Council Taxpayers in 2021/22 was £47.853m (£45.458m in 2020/21).

## Note 3 - Income from Business Ratepayers

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

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. For 2021/22, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

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

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

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

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

In addition to the top up/tariff, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income (either through support from Central Government if they are not in a NNDR Pool/Pilot or as first call on gains from pooling/pilot if authorities are members of an NNDR Pool/Pilot). For the City of Lincoln the value of the safety net figure (net of tariff) is **£3.528m** (£3.528m in 2020/21). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2021/22.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31<sup>st</sup> March 2022. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. **The total provision withdrawn from the collection fund for 2021/22 has been calculated at £0.952m (£0.432m was added in 2020/21).**

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

#### Note 4 - Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2021 it was estimated that the Collection Fund would have a Council Tax deficit of **£1.106m** (£0.383m surplus in January 2020) and a Business Rates deficit of **£27.665m** (£0.802m surplus in January 2020), a combined Collection Fund deficit of **£28.771m** (£1,185m surplus in January 2020) and so the following amounts were due to or from the preceptors in 2021/22:

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

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

128  
**STATEMENT OF ACCOUNTS  
2021/22**

## 1 The council’s responsibility for sound governance

### 1.1 Scope of responsibility

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

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control) and based on the principles of the “Delivering Good Governance in Local Government Framework 2016”

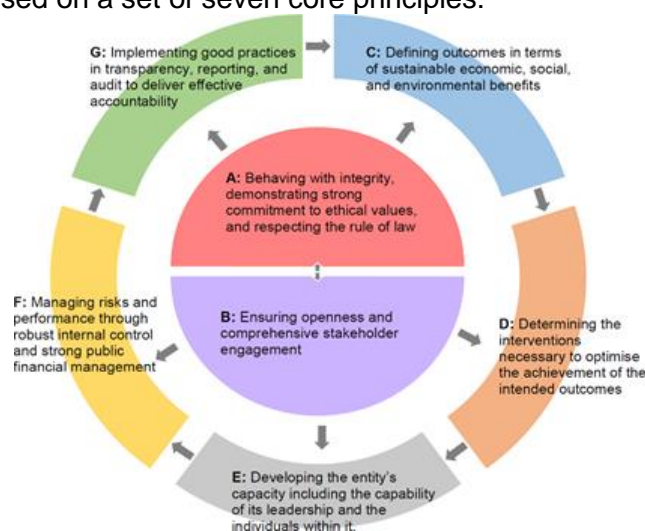
How we are meeting these defined responsibilities is detailed in the City of Lincoln’s Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. [www.lincoln.gov.uk](http://www.lincoln.gov.uk)

The council’s Code of Corporate Governance, comprehensively reviewed in 2017, is updated annually. A further comprehensive review was completed in April 2021, considering the impact of COVID-19.

This Annual Governance Statement details how the city council has complied with its own Code of Corporate Governance over the last year and meets the statutory requirements for all relevant bodies to prepare such a statement. It also includes a new section on the impact on the council, and actions taken as a result, of the COVID-19 pandemic.

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

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



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

<b>KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK</b>	
Key elements of the governance framework at City of Lincoln Council are summarised below:	
<p><b>Council, Executive, Leader</b></p> <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>	<p><b>Leadership and decision making</b></p> <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>
<p><b>Scrutiny and review</b></p> <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>	<p><b>Risk management</b></p> <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>
<p><b>Corporate Management Team (CMT)</b></p> <ul style="list-style-type: none"> <li>❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT)</li> <li>❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community</li> <li>❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government</li> <li>❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct</li> </ul>	

**1.4** In the following sections the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months. The first of these sections covers how the council has maintained good governance during the COVID-19 pandemic – some of the activities mentioned are also mentioned under the core principles.

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

As with all councils the COVID-19 pandemic caused major disruption to the day to day work of the council, including cancellation of some committee meetings, and changing

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

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

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

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

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



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

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

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

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

### Activity within Principle A in 2021/22:

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

### Proposed activity for the coming year:

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

## 1.7 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

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

### Activity within Principle B in 2021/22:

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

### Proposed activity for the coming year:

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

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

Vision 2025 is the council's vision for the five years to 2025 and forms the second phase of our Vision from 2017 to 2030. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses, and evidence from the Lincoln City Profile. The priorities in Vision 2025 remain broadly similar, but with the addition of a priority to address the challenges of climate change:

- Let's drive inclusive economic growth
- Let's reduce all kinds of inequality

- Let's deliver quality housing
- Let's enhance our remarkable place
- Let's address the challenge of climate change

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

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

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

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

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

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

### **1.9 CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Whilst service plans for 2021/22 were not completed, work has continued to ensure robust service management during the recovery stage. All projects are subject to the Lincoln Project Management Model (LPMM), through which we

continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

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

**Activity within Principle D in 2021/22:**

- TFS programme delivered the required MTFs savings target
- Development of One Council through the four pillars – Organisational Development, Creating Value Processes, Use of Assets and Technology
- Office 365 pilot extended to a full roll out to all staff with laptops/desktops
- Technology introduced to adapt to COVID-19
- Review of team workstyles to understand and distribute appropriate technology
- Refreshed infrastructure platform
- Housing repairs online pilot progressed – to enable booking of repairs online.
- A review of My-Info has been completed resulting in a recommendation for a new system

**Proposed activity for the coming year:**

- Deliver a five year ICT Strategy
- Deliver a new IT Disaster Recovery Plan
- My Info replacement system to be procured in 2022/23
- Establish micro-sites for key services, e.g. Xmas Market, Building Control, Visitor services.
- Identify top 10 interactions with customers and move to online forms where possible to take pressure off contact centre.

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

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. We have a programme in place under the organisational development pillar of our One Council approach which will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city and is effectively engaged to champion the council's priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2025 objectives.

**Activity within Principle E in 2021/22:**

- HR policies relating to home working have been reviewed with training delivered to managers and team leaders
- Continued regular HR line management briefings
- Weekly briefings from Chief Executive continued through key pandemic stages and whilst now reduced in frequency, still cover any important changes/updates on a monthly basis
- Development of One Council pillars – Organisational Development and Create Value Processes, including rolling out Office 365 and remote working and introduction of Microsoft Teams for all staff on a planned roll out basis
- Review of space at City hall and Hamilton House to support new ways of working
- Citizens Advice service has been brought into the main building with offices on the 1<sup>st</sup> floor next to reception areas

**Proposed activity for the coming year:**

- Needs analysis to be completed on Leadership Development

- Ongoing review of space at City Hall and Hamilton House. This will also include community centres and other buildings
- One Council organisational Pillar to review whether any new issues arise from Covid-19 that need to be addressed either temporarily or more permanently using feedback from the annual staff survey.

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

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

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

- TFS programme delivered the required MTFS savings target
- Progression of One Council activities – the Creating Value Processes programme
- The External auditor issued an unqualified opinion on the authority’s final statement of accounts and Value for Money conclusion
- Strong response to the financial situation caused by covid-19 including, ensuring strong financial management to make sure that we manage public funds correctly, e.g. refreshed MTFS incorporating short and longer term financial impacts of Covid19, enhanced TFS programme and careful use of reserves and balances,.
- Review of the Value for Money Statement
- Re-enforcement of the revised CIPFA Financial Management Code
- Internal Audit conducted on Risk – which achieved substantial assurance
- A review of value for money arrangements to ensure requirements of the new external audit VFM assessment are met was completed

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

- Review of the Financial Procedure Rules
- Review of Contract Procedure Rules
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
- Review contaminated land inspection strategy
- Reinstatement of monthly Vision Priority meetings
- Implementation of new agreed action plan to ensure compliance with the CIPFA Financial Management Code
- A key piece of work will be to review control systems to ensure they continue to be fit for purpose with the new ways of working
- A review of the Corporate Procurement Bill to accommodate the new procurement green paper, which is going through the legal/parliamentary process

### **1.12 CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

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

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

- A further review of the Code of Corporate Governance has been conducted in January 2022, taking it back onto its 'normal' schedule
- Data transparency requirements were met for the year
- A review of the Data transparency website page was conducted to improve visibility
- Data accessibility has been pushed to ensure public documents are properly accessible
- There was a full review of the targets in late 2021 with the aim of providing consistent and SMART targets for the 2022/23 year
- Progress made on defining "Significant Partnerships" and assurances on each of these

**Proposed activity for the coming year:**

- Review of Lincoln Performance Management Framework
- Further development of the performance management system
- Reinstatement of monthly Vision Priority meetings and thus the annual reports to committee

## 2. Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2021/22 through a review of the Council's Code of Corporate Governance (policies and processes) and the review process to develop the AGS and identify any significant issues, or other areas that may require monitoring. We took account of relevant governance audits, third party assurances, combined assurance work, committee reports, risk management, performance management, projects and partnership governance, Vision 2025/One Council, financial management, interviews with senior management and statutory officers.

The Head of Internal Audit is required annually to give an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. For 2021/22 the Council was performing adequately across all areas. The audit plan was reduced in 2021/22 due to a temporary reduction in staff resources pending recruitment to the Internal Audit Manager role. However audits completed included governance, risk, financial control, ICT, Covid 19 risks, Projects as well as Combined Assurance, some of which were undertaken through the use of audit consultancy firms. Internal audit was involved in supporting Covid grants during 2021/22 and to help mitigate this there are external assurances in this area through central government, NFI data matching and external audit.

Supporting this assessment is the detailed work undertaken by Internal Audit during the course of the year as part of the Internal Audit plan and Combined Assurance work. Whilst this identified some agreed actions none were considered significant enough to highlight as potential AGS significant governance issues.

There were two areas of combined assurance assessed as red; however, these risks are being managed – these were not considered significant governance issues. There were several Amber areas; one of these areas - IT DR was a 19/20 significant issue.

As at March 2021 there were a number of high priority audit recommendations both made and outstanding. Outstanding agreed actions were in respect IT security, risk management, information governance, service-related actions. Progress towards addressing these recommendations will be monitored through existing monitoring arrangements and as part of the review of the AGS none were considered significant governance issues.



## The CIPFA Financial Management Code 2019 (FM Code)

In December 2019, Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.

CIPFA acknowledged the additional extraordinary burdens faced by local authorities due to Covid19 and reflected on the extent to which was appropriate to introduce a new FM Code for 2021/22. It concluded that while the first full year of compliance would remain as 2021/2022, this would be within a more flexible framework where a proportionate approach would be encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel. Full details are reported to Audit Committee on an annual basis.

CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement should now include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. An assessment against the FM Code has been completed and the CFO reported the findings to Audit committee 22 March 2022.

The actions arising from this updated assessment (which incorporates those outstanding from 2020/2) are as follows:

- Continue to support professional development
- Review Financial Procedure Rules
- Review Contract Procedure Rules
- Undertake Assessment against Head of Internal Audit requirements
- Assess outcome of external quality assessment of Internal Audit and develop action plan
- Implementation of Finance Business Partnership approach
- Implement revised MRP policy, if required by DHLUC
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
- Consider further engagement with wider range of stakeholders for budget consultation
- Consider if other major balance sheet items can be made more visible in quarterly reporting.

### 3 Level of assurance provided

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

### 4 Status of significant governance issues monitored from 2020/21

The council has regularly monitored its 2020/21 significant governance issues through senior management and the Audit Committee during 2021/22. Two issues were identified for monitoring:

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

action had been completed. Also the introduction of an alternative site at Hamilton House for data security has been implemented. However, COVID-19 has made such an impact to both the short and possibly long term working arrangements of the council, that it is felt that this issue should not be removed from the list of significant issues – but instead should remain with a revised focus on what the required outcome needs to be, including a review of the expectations of our IT recovery and resource needs to meet the agreed BC plan needs

### **THIS ISSUE WILL REMAIN – but with a revised aim and action plan**

- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19.** A decision was taken in Q3 2021/22 that rather than prepare a one year delivery plan for the Vision 2025 – a full mid-term review would be undertaken. This would allow members to incorporate new aspects affecting the city following the pandemic – such as the mental and physical health of our residents, and consideration of business needs. A full consultation was undertaken as part of this process with residents, businesses and voluntary services contacted to understand their views on priorities. This has resulted in a new three-year plan which was approved in February 2022 by Council and is available on the council website. By the end of March 2022, priorities will have been built into Service Plans.

### **THIS ISSUE HAS ALREADY BEEN APPROVED AS TURNING TO GREEN STATUS DUE TO THE LEVEL OF PROGRESS – SO WILL NOT FEATURE IN THE NEW AGS SIGNIFICANT ISSUES**

## **5 Significant governance issues identified from 2021/22**

### **New significant issues identified from 2021/22**

There were no NEW significant issues identified, but as noted above, there will be a revised focus on one of the previous year's issues. A new action/monitoring plan will be drawn up for monitoring purposes.

## **7 Conclusion**

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

### **Signed**



Cllr R Metcalfe, Leader:

**Date: 7<sup>th</sup> July 2022**



Angela Andrews, Chief Executive:

**Date: 7<sup>th</sup> July 2022**



## GLOSSARY

### **AAA FITCH RATING**

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

### **AA FITCH RATING**

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

### **A FITCH RATING**

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### **ASSET**

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

## **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

## **BORROWING**

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

## **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

## **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific period of time.

## **CAPITAL RECEIPT**

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **CLAW-BACK**

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

## **COLLECTION FUND**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **CREDITOR**

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## **DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **DEFERRED CHARGES**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

## **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **EQUITY**

The Council's value of total assets less total liabilities.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FAIR VALUE INPUT LEVELS**

Basis for recurring fair value measurements:

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

## **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

## **HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount in the Balance Sheet.

## **INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

## **NET BOOK VALUE**

The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

## **NET DEBT**

The Council's borrowings less cash and liquid resources.

## **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services

## **NON-OPERATIONAL ASSETS**

Assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## **OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

## **OPERATIONAL ASSETS**

Assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

## **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

## **RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

## **RELATED PARTIES**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

## **RELATED PARTY TRANSACTIONS**

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**STOCKS**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.



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**SUBJECT: RE-IMAGINING GREYFRIARS PROJECT**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: PHIL QUIGGIN, INTERIM STRATEGIC PROPERTY MANAGER**

## **1. Purpose of Report**

- 1.1 To update members on progress made with the Greyfriars refurbishment project, to approve acceptance of a grant award of £1.95m from National Lottery Heritage Fund (NLHF) jointly with Heritage Lincolnshire and to approve the inclusion of the project within the General Investment Programme.

## **2. Executive Summary**

- 2.1 Members have considered and supported different elements of the Greyfriars project previously, including the approval of a partnership arrangement with Heritage Lincolnshire and the Council's contribution of £200,000 match funding in October 2019, ahead of the first 'development' stage. Then more recently, the acquisition of land and rights from Lincolnshire County Council in May 2022. This report provides an update on progress relating to the second 'delivery' stage and the proposed undertaking of the approved scheme.
- 2.2 In late September, NLHF confirmed their support for the project. Formal notification was received 17<sup>th</sup> October. The grant notification letter includes the terms on which the grant is to be accepted. This includes a requirement specific to local authority grantees, which is covered by this report.
- 2.3 The project also forms part of the Lincoln Town's Fund, with funding of £0.540m secured.

## **3. Background**

- 3.1 Members will recall from previous reports to this committee that Greyfriars has been placed on Historic England's 'Buildings At Risk' register due to its historic significance and deteriorating condition. Due to the Council's limited financial resources, it is therefore essential that external funding is secured to carry out a full refurbishment of the building.
- 3.2 Working in partnership with Heritage Lincolnshire, the Council have been successful in bids to NHLF to fund extensive refurbishment works. The grant is awarded in two parts; the first, smaller element was to undertake the development of a viable scheme. This work, undertaken 2019-2022, was coupled with robust strategies comprising a business plan, activities plan and conservation management plan. In addition, planning consent, listed buildings consent and approval from Heritage England have all been secured.

The second, larger element of the grant, is the subject of this report and follows completion of the development stage and is awarded to fund the delivery stage i.e., the actual refurbishment works and related activities.

#### **4. The Final Project/Scheme Design**

- 4.1 As previously reported, the project will be delivered in a partnership between the Council, as freehold owners of the building and Heritage Lincolnshire, who will lease the building from the Council to include their offices from which they will manage the events space.
- 4.2 The vision is to bring the at-risk, Grade I listed, Scheduled Ancient Monument back into use as a wedding venue, heritage attraction, exhibition, events and conference centre with an in-house café for visitors and customers. The project will transform Greyfriars into a top-class venue for events and activities. The project aims to make this complex and highly significant site as accessible as possible both physically and intellectually, allowing anyone who visits for whatever purpose to experience the heritage and beauty of its unique spaces.
- 4.3 The intention is to create a sustainable future for Greyfriars through its use for wedding ceremonies and receptions, temporary exhibitions and other events, both commercial and community-orientated. The project will also create an innovative heritage attraction which engages people of all ages and abilities in the monastic story of Lincoln and wider Lincolnshire, interpretation is planned throughout the scheme design to tell the story of the building digitally with minimal visual impact. Heritage Lincolnshire will also work closely with local partners and the community to tell other important stories from the county's history. In addition, they will work with the University of Lincoln and Bishop Grosseteste University, offering opportunities for students to engage with the creation of this new attraction from the beginning through to opening. Furthermore, they will also explore the stories of students from the Greyfriars School with children from local schools, connecting them with the history of the building.
- 4.4 The project will repair and adapt Greyfriars to bring it back into use. The capital works will include repairs and restoration to bring the building back into a good condition and modifications to make it fit for purpose as a prestigious venue for events, a heritage attraction and a place of learning. The final scheme design includes a new entrance to the building from the west elevation (nearest to St Swithin's Square) and a new stair/lift core on the north elevation, replacing the existing Victorian staircase. The works will also ensure that that the building is an exemplar of accessibility and inclusivity, with full access to the first floor and a Changing Places facility.

#### **5. Grant Terms / Permission to Start**

- 5.1 The NLHF have issued their Grant Notification Letter, dated 17<sup>th</sup> October 2022. This confirms their £1,951,900 contribution to the delivery of the project and sets out the contractual requirements and how they will monitor the project. The letter is provided in the Part B report on this Agenda.

- 5.2 As the grant will fund both the works and activities to be undertaken following occupation by the tenant, it is awarded jointly to the Council and Heritage Lincolnshire.
- 5.3 The grant expiry date is 30<sup>th</sup> January 2026 and the terms of grant last for 20 years after the project completion date (which will be on or before the grant expiry date).
- 5.4 Certain pre-conditions have to be met before the NLHF will award Permission to Start. Evidence of those conditions will be submitted to the NLHF in due course. Any costs incurred prior to receiving Permission to Start are effectively 'at risk' as the NLHF will only make grant payments once Permission to Start is approved.
- 5.5 In addition to the Standard Terms of Grant, there are further grant conditions (page 3-6 of the offer letter). These require:
- Evidence of the authority under which the grant is accepted
  - Acquisition of the Lincolnshire County Council land
  - If any part of the property covered by the grant is leased or let (and this has to be consistent with the Approved Usage set out in the standard terms) then it must be at full market rent and the income must be used to deliver the project's Approved Purposes or generally for the benefit of the building.
  - That within 28 days of receiving Permission to Start, a restriction be placed on the property ensuring no disposition of the registered estate is to be registered without the consent of the NLHF.
- 5.6 This report aims to satisfy the first of the additional grant conditions, which requires evidence of the formal acceptance of their grant conditions by the Council.
- 5.7 Whilst the NLHF asks for this requirement to be satisfied within 28 days of the date of their letter, we have confirmed that this is not possible on this occasion and received clarification that acceptance by the end of November will be satisfactory.
- 5.8 The Executive minute for this report will satisfy this requirement.

## 6. Timeline

- 6.1 A detailed programme has been developed. In summary the timeline is:

Formal Permission to Start granted	November 2022
Re-tender PM post and re-appoint professional team	November – December 2022
Detailed design work / cost reviews	January – March 2023
Procurement of main contractor	March – July 2023
Main works commence	August 2023
Main works completed	August 2024
Activities, fit-out, evaluation and staffing	August – October 2024
Operation and Activities	October 2024 – August 2025
End of project reporting	October 2025

## 7. Budget and Funding

- 7.1 The project budget submitted with the Round 2 application upon which the award is based totals £3,032,000.

This will be funded as follows:

<b>Organisation</b>	<b>Round 2 £</b>
National Lottery Heritage Fund	1,952,000
Towns Fund	540,000
CoLC contribution	190,000
Heritage Lincolnshire	21,000
Garfield Weston	95,000
Changing Places	40,000
Investors in Lincoln/LEAP	36,000
Pilgrim Trust	25,000
Volunteer time and 5-year management/maintenance	133,000
<b>TOTAL</b>	<b>3,032,000</b>

## 8. Strategic Priorities

### 8.1 Let's enhance our remarkable place

The project is a key scheme in Vision 2025. There are many unique heritage aspects and locations within Lincoln that need to be preserved so that Lincoln's special character is maintained, and the Greyfriars building is one of the Council's key assets. The project will add to Lincoln's heritage offer and be a tourist attraction and will build on the wider regeneration work which is happening through the Heritage Action Zone and is a key project in the Lincoln Town Deal Programme.

### 8.2 Heritage Property Strategy

Under its stewardship role, the Council aims to work with partners to secure external funding to refurbish and repair key heritage assets. This project will restore and bring back into use this historic building.

## 9. Organisational Impacts

### 9.1 Finance (including whole life costs where applicable)

As set out in paragraph 7.1 above, the total cost of the project is £3,032,000. This includes both capital and revenue costs for the building works, as well as operational costs. This figure includes costs that will be incurred by both the Council, who will procure the main works contract and professional teams and by Heritage Lincolnshire who will incur the operational and activities costs. The NHLF grant has been jointly awarded to reflect this division of costs.

The specific costs to be directly incurred by the Council are as follows:

<b>Costs</b>	<b>Capital £</b>	<b>Revenue £</b>	<b>Total £</b>
<b>TOTAL</b>	<b>2,638,220</b>	<b>47,990</b>	<b>2,686,210</b>

The capital costs of £2,638,220 will be funded through the Council's match funding of £190,000, which is already provided for within the General Investment Programme. The remaining amount of £2,448,220 will be funded from external grants, primarily NHLF and the Towns Fund.

The revenue costs of £47,990, equivalent to £9,568 p.a. for 5 years will be funded through the NHLF grant and existing revenue budgets.

The project will be managed and monitored in accordance with the Lincoln Project Management Model (LPMM).

## 9.2 Legal Implications including Procurement Rules

All procurement will be undertaken in accordance with the Council's Contract Procedure Rules and ultimately Public Contract Regulations 2015, as well as the requirements of the NLHF.

The request for a restriction against the title is standard with grants such as these.

A Partnership Agreement with Heritage Lincolnshire is already in place, this will however be reviewed to ensure it complies with the requirements of the grant conditions.

## 9.3 Land, Property and Accommodation

The project will result in significant improvements to an important council asset, and restoration and protection of heritage features which might otherwise have been lost.

The Council will remain as the freeholder owner of the building and will lease to Heritage Lincolnshire, the Heads of Terms for which have been agreed, subject to contract.

## 9.4 Equality, Diversity & Human Rights

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

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

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

These have been considered in depth when first developing the project brief, and at all design stages since e.g., provision of a changing places toilet, full access to each floor. A full impact assessment will be completed as part of the LPMM should the grant award be accepted and the project progresses.

## 9.5 Significant Community Impact

The main objectives are:

- the preservation of a Grade I listed, Scheduled Ancient Monument, currently on the Heritage at Risk register
- creation of a heritage attraction, exhibition, events and conference centre,
- more events and involvement opportunities,
- more awareness of the cultural heritage of Greyfriars
- opportunities for community cohesion

## 10. Risk Implications

### 10.1 (i) Options Explored

The Council has to formally decide whether or not to accept the NLHF terms of grant.

### (ii) Key risks Associated with the Preferred Approach

By accepting the terms, the project will continue through to delivery phase. The project is subject to continual review of the risks, and these are reported in the project risk register via the project's Board. The current top risks are considered to be:

1. Costs escalate
2. Delays to Permission to Start negatively affect programme
3. Lack of suitable main contractor.

## 11. Recommendations

11.1 That the Executive note the progress made in developing the Greyfriars project through to its delivery phase.

11.2 That the Executive approves acceptance of the NLHF grant award together with their standard and additional terms of grant.

11.3 That the Executive approve the inclusion of a £2,638,220 capital estimate in the General Investment Programme, with associated funding as set out in paragraph 9.1

**Is this a key decision?** Yes

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

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

**How many appendices does the report contain?** None

**List of Background Papers:** None

**Lead Officer:** Phil Quiggin, Interim Strategic Property Manager  
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<b>SUBJECT:</b>	<b>EXCLUSION OF THE PRESS AND 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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