

AUDIT COMMITTEE

Monday, 15 July 2024
6.00 pm
**Committee Rooms 1-2, City
Hall**

Membership:	Councillors Emily Wood (Chair), Calum Watt (Vice-Chair), Annie Currier, Thomas Dyer, Gary Hewson, Callum Roper and Clare Smalley
Substitute member(s):	Councillors Pat Vaughan and Aiden Wells
Independent Member:	Jane Nellist
Officers attending:	Democratic Services, Sally Brooks, Jaclyn Gibson, Michelle Hoyles and Amanda Stanislawski

A G E N D A

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2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
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You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following item(s) because it is likely that if members of the press or public were present, there would be disclosure of 'exempt information'

SECTION B

16. Risk Management Annual Update - Appendix B	[Exempt Para 3]	359 - 374
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Present:	Councillor Chris Burke (<i>in the Chair</i>)
Councillors:	David Clarkson, Gary Hewson, Clare Smalley, Calum Watt and Emily Wood
Independent Member:	Jane Nellist
Apologies for Absence:	Councillor Thomas Dyer

55. Confirmation of Minutes - 30 January 2024

RESOLVED that the minutes of the meeting held on 30 January 2024 be confirmed and signed by the Chair as a true record.

56. Declarations of Interest

No declarations of interest were received.

57. Statement of Accounting Policies 2023/24

Laura Shipley, Financial Services Manager:

- a. presented for consideration the Council's accounting policies used to prepare the 2023/24 Statement of Accounts, as detailed at Appendix 1 of the report
- b. advised that each year the content of the accounting policies was reviewed to ensure it reflected the requirements of the Code and remained relevant to the Council. There were no material changes in the Code that impacted on any of the current Accounting Policies
- c. requested that members review and note the Accounting Policies to be used for the 2023/24 accounts.

Jane Nellist, Independent Member commented that it had previously been agreed to highlight the changes to the policies but this had not been done. Jaclyn Gibson, Chief Finance Officer responded that the changes to the policies would be clearly highlighted when reported to Committee next year.

Jane Nellist, Independent Member further compared this years Accounting Policies to the Accounting Policies that were agreed in 2023 and commented that the legislation referenced in the general principles was very different. Was the 2003 legislation listed in this years accounting policies outdated? Jaclyn Gibson, Chief Finance Officer responded that the legislation had been updated several times since 2003. This would be double checked to ensure that the correct legislation was referenced.

RESOLVED that the Accounting Policies to be used for the 2023/24 accounts be noted.

58. IAS19 - Assumptions used to Calculate Pension Entries in the 2023/24 Statement of Accounts

Laura Shipley, Financial Services Manager:

- a. presented a report to allow the committee to consider the assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2023/24 Statement of Accounts
- b. advised that IAS19 represented the accounting standard for pension costs, based on the simple principle that an organisation should account for retirement benefits when it was committed to give them
- c. informed members that in order to calculate the costs of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries used assumptions to reflect expected future events which led to best estimates of future cash flows arising under the scheme liabilities
- d. advised that the Council planned to use the calculated costs and the underlying assumptions, based upon the specialist advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2023/24
- e. detailed further financial and demographic assumptions as detailed at paragraph 3 and 4 and Appendix A of the report
- f. requested that members approve the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2023/24 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2023/24 Statement of Accounts be approved.

59. External Audit Enquiries 2023/24 Statement of Accounts

Laura Shipley, Financial Services Manager:

- a. presented a report to inform members of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations, as part of their audit of the Council's Statement of Accounts for 2023/24
- b. advised that the purpose of the report was to allow members to comment on officers' responses related to 'Those Charged with Governance'
- c. drew members' attention to the proposed responses to the enquiries provided by officers and requested members' views regarding their submission.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2023/24 Statement of Accounts be agreed and submitted to KPMG, External Auditor.

60. Draft Internal Audit Plan - 2024/25

Jaclyn Gibson, Chief Finance Officer:

- a. presented the draft Internal Audit Plan 2024/25 for consideration and approval, as detailed at Appendix A of the report
- b. advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk, consultation with senior management, reference to risk registers, horizon scanning and reference to the cyclical and ICT schedules
- c. reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit's opinion taking into account key risks facing the Council when developing the plan, achieving a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year, via a regular review of any changing activity and risks
- d. gave an overview of the current staffing level at paragraph 4.1 of the report and advised that the impact on the current resource was being managed through the engagement of a casual external audit contractor
- e. advised that the annual planned days were 310, which represented a "good" level of audit resource for an authority of this size and allowed the Head of Internal Audit sufficient resources to comply with standards and provide an appropriate audit opinion. This included work across key financial systems, other governance and due diligence areas as well as critical systems, ICT and Counter Fraud
- f. invited members' questions and comments;

Question: With reference to the Critical Activities, what did the Market Operation relate to?

Response: It related to the new Central Market

Question: In 2023/24 the number of days had been reduced by 42 days. Would 310 days be a sufficient number of days for 2024/25?

Response: There had been staffing issues within the team for 2023/24. The Head of Audit had provided assurance that enough work across all areas would be covered, with an Audit Plan of 310 days, for her to provide her annual audit opinion.

Question: Were the changes to the Audit Plan discussed with the Chair of Audit Committee?

Response: The Internal Audit Progress Report was regularly presented to Audit Committee which clearly stated any changes to the Audit Plan.

Question: Was 310 days realistic for 2024/25 given that there were still vacancies within the team?

Response: Yes, there was now more resources within the team. The part-time Auditor post had been made full time, although some time had been deducted to allow for their training. There was also support provided by specialist IT audit contractors. The remaining audit days would be secured through an external audit contractor.

Question: The IT Strategy and Infrastructure and Cloud Computing were identified as areas of importance in last years plan. Why had the IT Strategy and Infrastructure been progressed into the 2024/25 Audit Plan but Cloud Computing was still on the reserve list?

Response: When producing the Draft Audit Plan, consideration had been given to due diligence and governance. It was not possible to include every auditable area that was identified as important.

Question: Why had the number of days per Audit not been included in the report?

Response: The information was unavailable at the time of writing the report and it would be provided to members following the meeting.

RESOLVED that the Internal Audit Plan 2024-25 be approved.

61. Internal Audit Progress Report

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period November 2023 to February 2024, as detailed at Appendix A
- b. highlighted that Audit Committee held the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards
- c. detailed the content of the report covering the following main areas:
 - Progress against the plan
 - Summary of Audit work
 - Current areas of interest relevant to the Audit Committee
- d. invited members' questions and comments:

Question: With reference to delays in receiving management responses and information from auditees. Were staff avoiding being audited? Why was support from Management not being provided?

Response: No, staff were not avoiding being audited. It was reflective of the recruitment and retention challenges at the moment, which put pressure on staff and there was therefore sometimes a delay in responses received. The team were looking at ways to improve this and assist management with providing answers.

Question: Pleased to see that the target for the percentage of invoices that have a purchase order completed had been raised. Could utility bills, procurement cards and other invoices where purchase orders were not appropriate be removed from this target so that a higher percentage could be achieved?

Response: Procurement cards were not included within this performance indicator. To remove other invoices where purchase orders were not appropriate from the performance indicator would be a resource intensive job and currently there was not the capacity within the team.

Question: With reference to the recommendation that procedures and operational guidance that related to key Insurance processes and activities were formally documented, updated and made available for all relevant staff. Why was this not being completed already?

Response: Due to resources in the team work on more critical functions had been prioritised over the completion of procedure/guidance notes. However, since the

audit a new member of the Insurance team had been recruited which would address these overdue known 'housekeeping' tasks.

RESOLVED that the report be accepted.

62. External Audit: Draft Audit Plan & Strategy

Rashpal Khangura and John Blewett, representing KPMG, External Auditor:

- a. presented the External Audit Draft Plan and Strategy for the year ending 31 March 2024 for consideration
- b. gave an overview of the External Audit Draft Plan and Strategy as attached at Appendix A of the report and explained the following key areas:
 - Overview of Planned Scope including Materiality
 - Significant Risks:
 - Valuation of land and buildings
 - Valuation of investment property
 - Management override of controls
 - Valuation of post retirement benefit obligations
 - Other Audit Risks:
 - Revenue expenditure was appropriately recognised as capital expenditure
 - Audit Risks and our audit approach
 - Mandatory Communications
 - Value for Money
 - Summary of risk assessment
- c. explained that the Audit Plan and Strategy would remain as draft until work had completed on the transfer between External Auditors and whilst a number of consultations in the audit sector remained, including:
 - consultations by the National Audit Office (NAO) and Department for Levelling Up, Housing and Communities (DLUHC) regarding addressing the audit backlog
 - consultation by The Chartered Institute of Public Finance and Accountancy (CIPFA) on short-term measures to aid the recovery of local authority reporting and audit.
- d. invited members' questions and comments;

Jane Nellist, Independent Member referred to the entity materiality which was set at 2% of expenditure and the misstatements which were set at £0.08m. This was a significant difference from last year's materiality which was set at 1.5% and almost double the misstatements from last year. What had changed?

Rashpal Khangura, KPMG responded that these could change due to risk assessments of the environment and the local government sector. Also, previously there was debt listed which had now been paid off and this would have had an effect. Benchmarking had taken place and the external auditors were comfortable with the range that had been set.

RESOLVED that the content of the report be noted.

63. Internal Audit Recommendations Follow Up

Jaclyn Gibson, Chief Finance Officer:

- a. presented an update to Audit Committee on outstanding agreed actions
- b. referred to Appendix A attached to her report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c. explained that within the report there were currently 1 High action and 11 Medium actions remaining to be implemented, there were no overdue actions
- d. advised that there was 1 report (Staff Wellbeing) where the actions had all been implemented
- e. invited members' questions and comments:

Question: With reference to the Homelessness audit, the upgrade of the Document Management System was due to go live on 2nd and 3rd March 2024. Had this taken place?

Response: An answer would be circulated following the meeting.

Comment: With reference to the amendment to the tenancy agreements for utility costs at DeWint Court. A response has been received from the Director of Housing and Investment and he had clarified that the completion date for the amendment to the Tenancy Agreement was September 2025 due to the amendment relating to the updating of the whole tenancy agreement and not just for DeWint Court.

Question: With reference to the IT Disaster Recovery recommendation, it stated that the development of a testing schedule was no longer relevant. Could this be clarified?

Response: This recommendation was no longer relevant and would be revised. A meeting would be held with the Business Development and IT Manager to discuss what was appropriate for now. This would be updated and reported to the June Audit Committee.

RESOLVED that updates on Audit Recommendations report be noted.

64. The CIPFA Financial Management Code

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Council's assessment for 2023/24 against standards contained within the CIPFA Financial Management Code and the associated actions arising to ensure compliance
- b. gave the background as detailed at paragraph 2 of the report and advised that the Financial Management Code was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management
- c. explained that the code focussed on value for money, governance and financial management styles, financial resilience and financial sustainability

- d. advised that the Council's external auditors from 2021/22 now had regard to the Financial Management Code and would be looking to ensure that the Council was meeting the code
- e. referred to the 2022/23 self-assessment as set out at paragraph 3.7 of the report and gave an update on a range of actions that were being undertaken to move towards full compliance
- f. referred to an updated 2022/23 self-assessment contained at Appendix A of the report and highlighted the actions that had arisen from the updated assessment as attached at Appendix A of the report.
- g. explained that the assessment now included a RAG rating against each of the standards as detailed at paragraph 3.8 of the report
- h. advised that the areas set out for improvement would be included in the Annual Governance Statement and progress would be monitored through the Audit Committee.
- i. invited members' questions and comments:

RESOLVED that

- 1. The progress of the actions arising from the 2022/23 self-assessment be noted.
- 2. The 2023/24 self-assessment attached at Appendix A of the report be noted.

65. Audit Committee Work Programme 2023/24

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the Audit Committee on the work programme for 2023/24 as detailed at Appendix B of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme
- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information.

The committee considered the contents of the report.

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

66. Exclusion of Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it is likely that if members of the public were present there would be a disclosure to them of 'exempt

information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

67. Partnership Governance

Jaclyn Gibson, Chief Finance Officer:

- a. presented an overview of the annual assurance assessments for the Council's significant partnerships
- b. gave the background to the report as detailed at paragraph 2 of the report and explained the governance framework
- c. highlighted the Council's Partnership Guidance as detailed at paragraph 3 of the report
- d. advised that each Directorate had a partnership register in place and highlighted the annual assurance assessments that had been completed

The committee discussed the contents of the report.

RESOLVED that the annual assurance assessments of the Council's significant partnerships and the RAG status for each partnership be noted.

AUDIT COMMITTEE

15 JULY 2024

SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2023/24
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	MICHELLE HOYLES – BUSINESS MANAGER CORPORATE POLICY AND TRANSFORMATION

1. Purpose of Report

- 1.1 To inform the Audit Committee that the Council has prepared this year's Annual Governance Statement (AGS), attached as '**Appendix A**' to this report. This AGS forms part of the Council's draft Statement of Accounts.

2 Background

- 2.1 The Council is required to publish an Annual Governance Statement that reviews how it applies, and complies with, its Code of Corporate Governance. The Code is reviewed annually, and was most recently updated and approved by the Corporate Management Team (CMT) on 27 February 2024. This updated Code has undergone only minor amendments.
- 2.2 The approach to this year's AGS mirrors that of the previous year and is explained in section 3 of this report.
- 2.3 This report contains one appendix, namely **Appendix A** – the proposed draft AGS 2023/24.
- 2.4 Overall, this year's AGS concludes that the Council's governance arrangements remain effective.

3. This year's AGS Process

- 3.1 The AGS is completed annually and comprises two elements:
- A review of how the Council applied its Code of Corporate Governance in the previous 12 months; and
 - A 'look forward' at how it aims to further build upon its governance arrangements in the year ahead.

The AGS is also required to identify any new/emerging significant governance issues that have arisen during the previous year or are expected to arise in the coming year.

- 3.2 As required by statute, the AGS will be appended to the Council's Statement of Accounts.

- 3.3 This year's AGS has been completed in accordance with the following established process:
- a) Initial collation and review of key governance information from across the Council. This review was conducted by senior officers from the Council's Internal Audit, Finance, Legal and Corporate Policy and Transformation teams. Sources of this key governance information include a senior officers' questionnaire, the Council's annual audit report, assurance, performance data, strategic risk register and committee reports.
 - b) Preparation of a draft 'AGS 2023/24', based on information derived from the completed questionnaire.
 - c) Circulation and consultation on the draft AGS with all assistant directors, and with the service managers whose service areas are impacted by key findings.
 - d) Presentation of the AGS and appendices to CMT. The resulting proposed AGS is attached as '**Appendix A**' to this report.
 - e) Incorporation of CMT comments/feedback into the AGS, in preparation for progression to the Audit Committee prior to inclusion in the Council's draft Statement of Accounts; and
 - f) Publication of the final AGS alongside the Council's Statement of Accounts.
- 3.4 The format of this year's AGS has been updated following a recent CIPFA briefing, to ensure the Council's approach reflects current best practice and the document can be easily read by a range of audiences. The new AGS format is in three parts:
- Part 1 summarises the overall effectiveness of the Council's governance framework.
 - Part 2 reviews how the Council has met the requirements of its 'Code of Corporate Governance' as it was applied in the last 12 months, what's working well, and what steps are needed to further improve governance; and
 - Part 3 is an action plan
- 3.5 The key changes made to the format of the AGS include introduction of a RAG rating for each of the seven CIPFA core principles, and re-ordering the layout so the content is easier to digest. The new format also re-frames how the Council assesses itself against the CIPFA core principles, so the document is more strategic and governance-focused, removing elements related to delivery of Vision 2025 projects that are already reported via other channels.

4 Significant Governance Issues

- 4.1 No significant governance issues were identified in the 2022/23 AGS, and therefore none have been monitored in the last 12 months.
- 4.2 No new significant governance issues have been identified for inclusion in the AGS 2023/24.
- 4.3 The questionnaire identifies six governance issues which, whilst not meeting the threshold to be 'significant', require monitoring over the coming year in order that they can be addressed. These are listed in Part 1 of the AGS ('**Appendix A**'), and relate to the following areas:

- Contract management
- IT Asset Management
- Lincoln Project Management Model
- Use of support services
- Capacity of frontline and support services, and recruitment challenges
- Lincoln Performance Management Framework

4.4 The new RAG rating for the seven CIPFA core principles in Part 2 are:

- Green – core principles B, C and G
- Amber – core principles A, D, E and F

The core principles rated 'amber' are, for consistency, those directly linked to the six governance issues proposed for monitoring. There are no core principles with a 'red' RAG rating.

4.5 The action plan in Part 3 of the AGS proposes one action, related to the LPMM, on the basis that the other five governance issues proposed for monitoring already have actions in place through other mechanisms.

5. Strategic Priorities

5.1 This report supports the Council to meet its statutory duties by reviewing the effectiveness of its governance arrangements. This statutory duty therefore underpins all corporate priorities within Vision 2025.

6. Organisational Impacts

6.1 **Finance (including whole life costs where applicable)** – There are no direct financial impacts arising from this report.

6.2 **Legal Implications including Procurement Rules** – this report ensures the Council meets its statutory duties to publish an AGS, and that it continues to conduct itself in accordance with the law and proper standards and in an open, honest and accountable manner.

6.3 **Equality, Diversity & Human Rights** – The AGS assesses how the Council applies its Code of Corporate Governance to its business activities. The Code identifies the processes the Council has put in place to ensure compliance with E&D legislation and reduce risk.

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; and
- Foster good relations between different people when carrying out their activities.

7. Risk Implications

- 7.1 (i) Options Explored – there are no alternative options available; the Council has a statutory duty to publish an AGS.
- 7.2 (ii) Key Risks Associated with the Preferred Approach – not applicable.

8. Recommendations

- 8.1 That the Audit Committee notes the 'Annual Governance Statement 2023/24' attached as '**Appendix A**' to this report, is to be incorporated into the Council's draft Statement of Accounts.

Is this a key decision? No

Do the exempt information categories apply? No

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

How many appendices does the report contain? One (A)

List of Background Papers: None

Lead Officer: Michelle Hoyles – Business Manager Corporate Policy and Transformation
Email: michelle.hoyles@lincoln.gov.uk

Annual Governance Statement



2023/24

We want to make Lincoln the best place to live, raise a family, work and do business.

Our vision to deliver Lincoln's ambitious future is underpinned by five strategic priorities →

Delivering these priorities requires good governance, for all our residents, businesses, visitors, employees and Councillors. 'Good governance' is about how we ensure we are doing the right things, in the right way, for the right people, and that we do this in a timely, inclusive, open, honest and accountable manner. It means that we conduct ourselves in accordance with the law and proper standards, and that we safeguard public money by using it economically, efficiently and effectively.



We must, to ensure we provide good governance, put in place proper governance arrangements to manage our affairs. We must ensure there is a sound system of governance, including effective internal controls, and that this is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016". We also have a duty, under the Local Government Act 1999, to secure continuous improvement in the way we carry out our functions.

The last few years have been very challenging, both for the Council and for the city, and we are extremely proud of all the Council has achieved during this time. Like most councils we continue to face substantial funding pressures, with cost-of-living and inflationary challenges alongside new and increasing demands on council services dominating the past couple of years, at a time when longer term recovery from the Covid-19 pandemic remains a priority. As we move towards the end of Vision 2025 and prepare for Vision 2030, we remain committed to being financially sustainable and delivering our One Council approach, transforming and protecting access to our services by investing in technology, and making them as efficient and effective as they can be.

This Annual Governance Statement looks honestly, and transparently, at how effective our governance has been during 2023/24 and sets out the ways we can further improve. By ensuring good governance, we can continue to evolve and innovate and deliver Lincoln's ambitious future.

This AGS comprises three Parts. Part 1 summarises the overall effectiveness of our governance framework in 2023/24, and Part 2 reviews how we have met the requirements of our 'Code of Corporate Governance' as it was applied in the last 12 months, what's working well, and what we can do to further improve our governance. Part 3 is an action plan for the steps we take over the next 12 months to further enhance our governance.



Statement of Opinion

The Council's governance arrangements are under continual review, and we are pleased to confirm our opinion that these arrangements in 2023/24 were sound and provided an effective means of achieving our priorities. We have not identified any significant governance issues during 2023/24. The Council will continue to monitor the effectiveness of its governance arrangements to enable the identification of new and emerging issues throughout the coming year.



Cllr Naomi Tweddle, Leader
(commencing 14th May 2024):

Date:



Angela Andrews, Chief Executive:

Date:

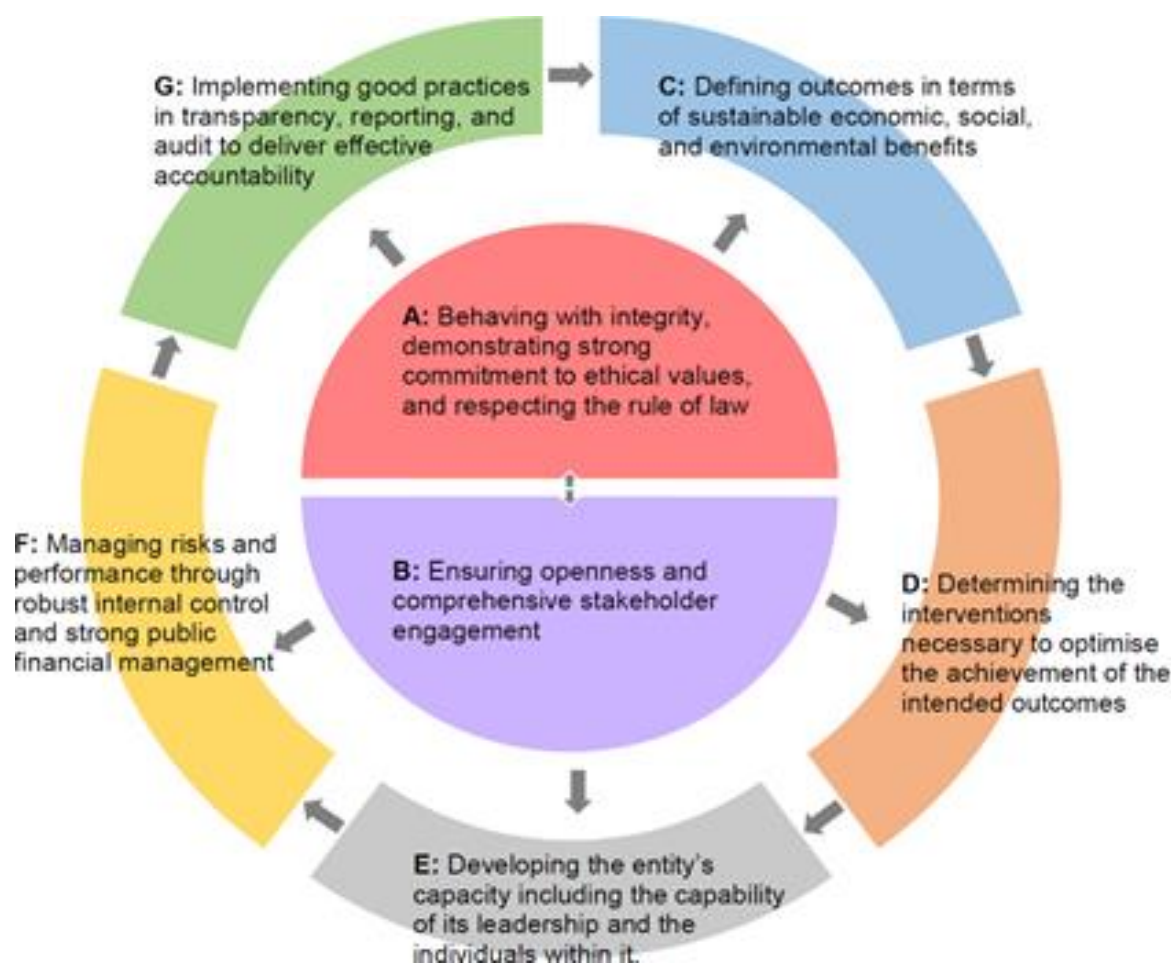


Part 1: Our Governance Framework

How we meet our governance responsibilities is defined in our Code of Corporate Governance. Our Code is updated annually and is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016".

Our Code sets out the strategies, policies, systems and processes we use to control how we operate and defines our cultures and values. It enables us to effectively monitor achievement of our strategic objectives, and to measure how we deliver value for money in our services.

Our Code is based on seven core principles:



Responsibility for governance rests with a range of bodies and structures, summarised below:

Council

Council consists of all 33 councillors who decide our strategic plan (currently Vision 2025), our Constitution and our overall policy and budget framework. It appoints the Leader, Executive, and membership of our scrutiny committees. The Ethics and Engagement Committee are also appointed by Council, and ensures all members receive advice and training on our Code of Conduct. Each member of the council represents the best interests of both their own wards and the city as a whole and is directly accountable to their constituents.

Leader and Executive

Our Executive comprises the Leader plus 5 further members, and is responsible for making most significant council decisions. Each Executive member has a portfolio; five of these align closely with our Vision 2025 Priorities, plus an additional portfolio for 'Customer Experience and Review'.

Corporate Management Team and statutory officers

The Chief Executive (CX) is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT). CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community.

The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government.

The City Solicitor is the council's Monitoring Officer and is responsible for ensuring compliance with the law, good governance and promoting high standards of conduct

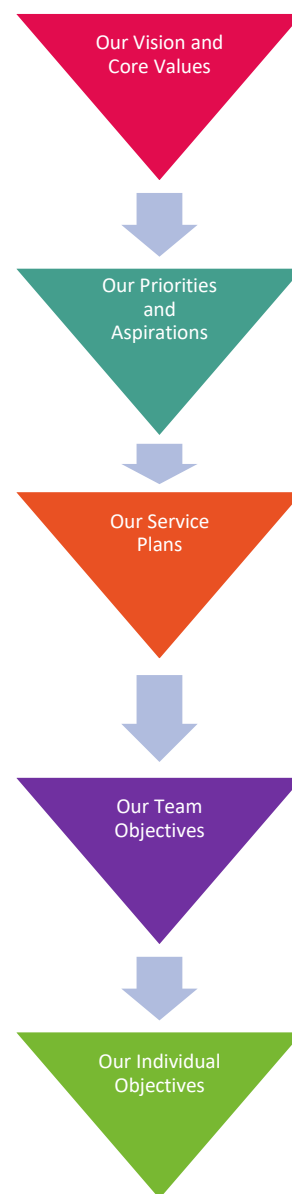
Scrutiny and audit committees

Our scrutiny committees consist of non-Executive councillors. Their role is to scrutinise and, where appropriate, challenge the decisions and performance of the Executive. Our scrutiny committees also scrutinise the decisions and performance of partnerships and other public bodies. We have four scrutiny committees:

- Performance Scrutiny Committee (including Housing Scrutiny Sub-Committee)
- Policy Scrutiny Committee
- Community Leadership Scrutiny Committee
- Select Scrutiny Committee

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

Our Audit Committee is responsible for providing independent assurance to Council of the adequacy of our governance, financial management, risk management framework and internal control environment.



Our Constitution updated regularly and is available [here](#).

Impact of Covid-19 on our governance

It has now been four years since the first lockdowns of the Covid-19 pandemic. The pandemic caused major disruption to the Council's day-to-day operations, and has had a lasting impact on how we deliver services to our residents and local businesses. The steps we have taken over the past four years have fully embedded these new ways of working, and we now have enhanced business continuity procedures, an IT Disaster Recovery Plan, and renewed governance arrangements that ensure we are prepared for future extraordinary events should they emerge.

Internal and External Assurance

Head of Internal Audit

The Head of Internal Audit is required annually to provide an opinion on the overall effectiveness of the Council's governance, risk and control framework and the extent to which these can be relied upon. In 2023/24 the Council was provided with the following levels of assurance:-

Performing Well	Performing	Adequately
Governance Risk Financial Control	Internal Control	

There were no significant governance issues raised within the audits completed. There were two Limited reports issued, both of which have been included as areas to watch within this Annual Governance Statement. Internal Control has been given a slightly lower level of assurance due to the results of the audits undertaken and the results of the combined assurance work. There has been no change from the opinions given in 2022/23.

The audit plan in 2023/24 was again reduced due to a temporary shortfall in staffing resource. We have now successfully appointed to the Auditor post and are progressing with the recruitment for the Principal post. In the interim we have a contract in place with an external provider to provide resources as required.

Internal audits completed in 2023/24 include:

- Staff Wellbeing – substantial
- Housing Repairs – substantial
- Insurance – substantial
- Creditors – substantial
- NNDR – substantial
- Staff recruitment – substantial
- HB subsidy – substantial
- Contract Management – indicative limited
- IT Asset Management – indicative limited
- Treasury Management – Indicative substantial
- Governance H/C – indicative substantial
- Cyber security – indicative substantial
- Digital – indicative substantial
- Follow-ups – indicative high

The findings from these audits have been reported to the Audit Committee during the year. Progress on implementing the actions arising from the reports are also reported to the Audit Committee throughout the year.

External Audit Annual Opinion

Our most recent External Audit Annual Opinion was published in January 2024, and relates to the financial year 2022/23.

A copy of this Annual Opinion encompasses our Statement of Accounts for 2022/23, our Value for Money arrangements and our wider reporting responsibilities. The Annual Opinion states that:

- The Council's Statement of Accounts was legally compliant;
- No indicators were identified of any significant weaknesses in the Council's Value for Money arrangements; and
- No indicators were identified of any significant weaknesses in the Council's Governance arrangements

A copy of this Annual Opinion is available [here](#).

The CIPFA Financial Management Code 2019 (FM Code)

In December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (the FM Code), providing guidance for good and sustainable financial management in local authorities. The FM Code aims to assist local authorities to demonstrate their financial sustainability through a set of seventeen financial management standards.

CIPFA guidance issued in February 2021 requires Annual Governance Statements to now include an overall conclusion of the assessment of the organisation's compliance with these standards. An assessment against the FM Code was most recently undertaken and reported to the Audit Committee in March 2024, confirming an overall substantial level of compliance (65%), with six identified areas for improvement (35%). These six areas were:

Ref	Standard/description	RAG	Action
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.		To update VFM Statement and incorporate with new Productivity Plan requirements – Jul 24
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.		To continue to support professional development – ongoing. To recruit to remaining Finance role to ensure fully resourced – Apr 24
C	The leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.		To revise Contract Procedure Rules – Dec 24
E	The financial management style of the authority supports financial sustainability		Review Finance Business Partnering Action Plan – Mar 25
F	The authority has carried out a credible and transparent financial resilience assessment.		Consider options for an independent financial resilience assessment – Dec 24
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.		Further development of engagement approach for budget/strategic plan consultation – Nov 24

No areas were identified as having minimum compliance.

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

Our full assessment against the FM Code is available [here](#).

Significant governance issues monitored in 2023/24

There were no ongoing significant governance issues to monitor during 2023/24.

New significant governance issues identified in this AGS

Significant governance issues are those that present high financial, reputational or political risks to the Council.

We did not identify any significant governance issues during 2023/24, however we did identify some governance issues that do not meet the 'significant' threshold.

New governance issues that require monitoring, but do not meet the 'significant' governance issue' threshold

We have identified the following six issues for monitoring over the next 12 months:

- An internal audit of Contract Management has been given 'limited assurance', due to some contracts not being managed consistently. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Monitoring Officer.
- An internal audit of IT Asset Management has been given 'limited assurance'. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Assistant Director for Transformation and Strategic Development.
- Our project governance arrangements need to be reviewed and updated, to ensure that all projects are being implemented in full accordance with the Lincoln Project Management Model (LPMM) and that use of the LPMM is consistent. The LPMM is undergoing a full review over the coming year and has been included in the action plan in Part 3 of this AGS.
- There is an ongoing need for all directorates to ensure financial, legal and procurement advice is sought for projects in a timely manner. This will continue to be monitored by the Chief Finance Officer and Monitoring Officer.
- There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges. This will continue to be monitored by our Organisational Development group.
- The Lincoln Performance Management Framework needs to be refreshed, following an internal audit of Performance Management. Works are in progress to complete this work in 2024/25 so it coincides with the launch of our Vision 2030 strategic plan, and this will be monitored quarterly by the Audit Committee and overseen by the Assistant Director for Transformation and Strategic Development.

Conclusion

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.




No significant governance issues were identified in 2023/24. The Council will continue to monitor the effectiveness of its governance arrangements throughout the coming year, to enable the identification of new and emerging issues.

A detailed assessment of how we applied our Code in 2023/24 is provided in Part 2 of this document.




Part 2: Assessment of our Core Principles


What our definitions mean:

Assurance rating	Interpretation
 <p>Acceptable</p>	<p>There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support both compliance with requirements of the CIPFA principle and the achievement of the council's aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework.</p>
 <p>Some development or areas for improvement</p>	<p>Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address these matters.</p>
 <p>Key development or many areas for improvement</p>	<p>Significant challenges have been identified which may impact the effectiveness of elements of the our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.</p>

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> We undertook a scheduled annual update of our Code of Corporate Governance We continued to monitor our compliance with the Subsidy Control Act 2022 as projects commence We continued to review our compliance with the Elections Act 2022 as the commencement orders came into place We reviewed and updated CIPFA guidance for Audit Committees, including a review of the Terms of Reference of the Audit Committee to ensure they remain compliant with best practice 	<ul style="list-style-type: none"> Ethical values, standards and formal codes of conduct are defined in our Constitution and form the basis for developing our policies, procedures, and the behaviour of our Members and employees. We have appropriate processes in place to ensure that Members and employees are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the rights of employees. All Council decisions consider legal and equality implications with support from our Legal Services team. Our Constitution is regularly updated to ensure it remains fit for purpose and meets the needs of the city and its residents Our Audit Committee includes an independent Member, and provides assurance on the adequacy of our internal control environment by ensuring high standards of conduct are embedded within the Council's culture. The Committee also monitors all governance issues raised, and oversees our internal and external audit arrangements. We have, after a protracted period of recruitment difficulties, successfully appointed to one of our two internal auditor posts that will support the Audit Manager in their role. Additional capacity is being sourced via external consultants, to ensure we are able to meet our internal audit demands and monitor combined assurance. We recruited a new Legal Services Manager in 2023/24 We have a robust approach to information governance. Our Data Protection Officer is highly visible within the Council, and ICO guidance is shared with all service areas to ensure staff at all levels receive appropriate training and feedback if data breaches occur. 	<p>Our Counter Fraud Policy and Procedures are currently being updated to ensure they remain sufficiently robust</p> <p>We will be updating our approach to Equality Impact Assessment over the coming year</p> <p>An internal audit of our Contract Management arrangements has received 'limited assurance' due to some of our contracts not being managed consistently. Significant steps have already been undertaken to address these internal audit findings, with further progress to be made during the coming year.</p>	


Core Principle B: Ensuring openness and comprehensive stakeholder engagement

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Finalised the review of our Consultation and Engagement staff guidance Completed a review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City Created a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community Explored further options for engaging with stakeholders on budget consultations Continued to develop more permanent and usable feedback systems for services. 	<ul style="list-style-type: none"> The Council makes sure our partners in the private, public and voluntary sector, as well individual citizens and service users, are engaged in and have full access to information relating to decision making. We expect reports to decision makers to be open, to provide all the necessary material to ensure informed decisions are made that are in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration. We have improved our Citizens' Panel processes to include feedback loops so respondents can find out how their feedback has influenced/changed how we operate. We have begun to reintroduce different engagement methods, acknowledging the extent of digital deprivation in some parts of the city and that some of our stakeholders prefer more personal forms of customer engagement. 	<ul style="list-style-type: none"> Following a successful budget consultation that incorporated alternative forms of stakeholder engagement, we will be updating our internal Consultation and Engagement Staff Guidance in 2024/25 We will continue to develop more permanent and usable feedback systems for our services We want to further incorporate Citizens' Panel feedback into our formal decision making and, where available, use equality and diversity data to demonstrate how survey respondents' profiles compare to our city's makeup (evidenced in the Lincoln City Profile) We intend to further develop our approach to engagement on our budget and strategic planning processes, including how we consult on Vision 2030. 	


Core Principle C: Defining outcomes in terms of their sustainable economic, social and environmental benefits

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


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

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> • Further progressed implementation of Phases 1a and development of 1b of Western Growth Corridor • Progressed further the implementation of the place strategy for Park Ward/Sincil Bank • Finalised our 30-year Housing Revenue Account Business Plan for the period 2023 – 2053 • Completed our detailed analysis of 2021 Census data to support robust, evidence-based decision making • Reviewed our progress and achievements against Vision 2025, in preparation for development of Vision 2030 	<ul style="list-style-type: none"> • We have good internal controls for implementing programmes/projects, monitoring progress against major developments, and competing for funding streams in a way that best benefits the city including Western Growth Corridor, regeneration of Lincoln Central Market, new council homes on Hermit Street, UKSPF projects and preparatory stages of the redevelopment of Greyfriars. • Our 'Vision Boards' regularly review progress of objectives derived from our strategic priorities, ensuring our corporate Vision stays relevant and on track. • All Executive Members provide an annual report to Performance Scrutiny Committee and Council on progress against their portfolios • Our annual Lincoln City Profile helps us to demonstrate we understand our city's demographics 	<ul style="list-style-type: none"> • Continue to evolve the Lincoln City Profile, so it provides the most useful datasets to help us understand our city and the key issues that should inform our decisions • Embed the Lincoln City Profile into our scrutiny processes, to support improved decision making based on our city's makeup. 	


Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Adopted a new IT Disaster Recovery Plan Undertook a further review of our business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan. Reviewed the Council's Risk Management Strategy and provided refresher training to Members and officers Updated our Business Continuity Policy and Strategy Refreshed our Business Continuity Plans for critical services. 	<ul style="list-style-type: none"> The Council clearly defines its priorities and plans to ensure delivery of their intended outcomes. Service plans are now in place to cover the period ending March 2025. Work has continued to ensure robust management of the Council's services, and most projects continue to utilise the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes The Council's financial management arrangements ensure that there is adequate resource available to deliver our plans. The Council reviews progress against delivering those outcomes through its performance management framework.. As the only urban conurbation in a predominantly rural county, Lincoln is disproportionately affected by homelessness compared to its district neighbours. The Council's financial plans are significantly impacted by arranging temporary accommodation for those to whom we owe a legal duty, and shortages of temporary accommodation in the city mean that our costs exceed the local housing allowance we receive from government. We have been, and are continuing to explore all options to manage this strategic issue, both to make the most effective use of our finite resources and to ensure the best outcomes for our most vulnerable people. Brought together key roles responsible for business intelligence, business analysis, online services, and policy and performance management into a new Corporate Policy and Transformation Team. 	<ul style="list-style-type: none"> There is some inconsistency in the way the Lincoln Project Management Model is applied across the Council. Work will progress in the coming year to ensure that all qualifying council projects utilise the LPMM, and to develop an effective means of monitoring these more centrally. Review the LPMM to ensure it continues to support effective project governance Complete a new five year ICT Strategy that will replace our current strategy Review our existing ICT Disaster Recovery Plan in light of the forthcoming ICT Strategy An internal audit of IT Asset Management indicates that actions are required in order to ensure we are appropriately managing all risks associated with the keeping and renewal of IT assets. Renew our online offer to all stakeholders, to widen digital access to information and services and improve the experience of our customers who are more digitally excluded. Develop a corporate Business Transformation Plan Test our business continuity systems through desktop exercises throughout 2024 	

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it


What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Continued to build on employee retention and professional training opportunities for our employees Reviewed the Council's Our People Strategy Continued implementing our Organisational Development Action Plan, including a needs and skills gap analysis 	<ul style="list-style-type: none"> The Council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve our objectives. Under our One Council approach, we have in place an organisational development pillar that aims to ensure our workforce has the necessary skills and behaviours to deliver our Vision for the city, and is effectively engaged to champion the Council's corporate priorities. Partnership working extends capacity for key projects to be delivered beyond the Council's own resources and is embedded within our Vision 2025 objectives. Local government continues to be a very competitive labour market, and we are exploring a range of avenues to improve recruitment, retention and succession planning, and skills. 	<ul style="list-style-type: none"> We still continue to experience recruitment challenges across multiple service areas including trades/skilled operatives, technical administrative posts and some professional/chartered roles. This continues to cause capacity issues in some of our frontline and professional services. We also continue to experience significant capacity issues in some of our corporate/central services, such as legal, finance, property and audit. These capacity issues will affect our front line services. 	

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Commenced a review of our Contract Procedure Rules upon enactment of the Procurement Act Undertook a benchmarking exercise to review our treasury management strategy and prudential indicators reporting against best practice Introduced quarterly reporting of our treasury management activities Implemented the majority of actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code Updated Audit Committee Terms of Reference following latest CIPFA guidance Reviewed effectiveness of the Audit Committee, with an action plan to enable regular monitoring through the Committee Completed a review of the effectiveness of our internal audit arrangements Refreshed our Risk Management Strategy (also referenced in Core Principle D) 	<ul style="list-style-type: none"> 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. Robust and thorough performance management system in place, which is high profile among Members and officers. Both annual performance target setting and quarterly performance reporting are well scrutinised, and officers across the council are actively engaged in the performance process. Performance data is used to identify opportunities for service improvements. Recent restructuring of performance management functions has helped deliver consistency of approach when reporting performance. This will continue to be strengthened over the coming year. Recent inclusion of DMD performance measures in quarterly performance reporting, to assess delivery of growth objectives and track progress of major developments/regeneration. The strategic risk register is updated, scrutinised and reported quarterly, and directorate risk registers are regularly reviewed and updated to reflect changing conditions. Accounts have been externally audited, providing external assurance of the council's financial position and confirmation that internal controls are effective Internal controls are in place to ensure all corporate strategies, policies and other key documents are reviewed regularly Comprehensive and targeted 'Towards Financial Sustainability' programme in place, to ensure the council's ongoing resilience. This is closely monitored, and reported 	<ul style="list-style-type: none"> Provide refresher training to all officers with budget responsibility on Financial Procedure Rules and budget management, and continue to develop a business partnering approach to financial management Streamline collection and presentation of performance management information, to further improve our capacity for analysis to drive performance improvement Update the Lincoln Performance Management Framework, to reflect current LGA best practice and emerging advice from Oflog Publish our Productivity Plan, and refresh our Value for Money Statement Undertake skills and knowledge assessments with Audit Committee members, followed by development of a training plan. This will also include a specific focus on Treasury Management skills and knowledge, behaviours and compliance with the CIPFA guide. Complete remaining actions within CIPFA FM financial assessment, and consider options to undertake an external financial resilience assessment. 	

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
	<p>quarterly to Members through financial and treasury management reporting and via the strategic risk register.</p> <ul style="list-style-type: none"> Regular monitoring of Internal audit agreed actions to ensure implemented and a sample checked to ensure the control environment has been strengthened. Results reported to the Audit Committee. 		

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Improved our performance management process through introduction of documented measure control, sign off/authorisation processes and consistency of reporting across all directorates Incorporated performance measures for the Major Developments Directorate Initial review of the Lincoln Performance management Framework Completed a review of the effectiveness of the Audit Committee, and created an action plan for regular monitoring through the Committee Completed a review of the effectiveness of Internal Audit, with an action plan for regular monitoring through the Audit Committee 	<ul style="list-style-type: none"> We recognise that effective accountability is concerned not only with reporting on actions completed, but also ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of our Performance Management Framework (LPMF). Our LPMF is currently under review, with a new version to coincide with launch of Vision 2030. Actions arising from the AGS are monitored by the Audit Committee, and progress reported. Forward plans for key committee meetings, including Audit Committee, are published well in advance and routinely updated. This includes regular reporting on both internal and external audit activity Annual review and reporting of assurances linked to key partnerships for which the council is a member, and active participation in partnerships to ensure the city is appropriately represented. Good internal mechanisms for capturing and reporting information required to be published by the Local Government Transparency Code 2015. Effective management and oversight of all aspects of the Lincoln Community Lottery, including auditing of registered good causes Positive and proactive approach to the scrutiny, with strong Member engagement in the process. This includes quarterly scrutiny of financial and treasury management. Robust approach to assurance mapping, led by the Head of Internal Audit Regular reporting of corporate complaints data 	<ul style="list-style-type: none"> Update the Lincoln Performance Management Framework and how this can best support Vision 2030 	



Part 3: Action Plan

This section lists the actions required to address the governance issues highlighted in Part 1 of this AGS, where no actions currently exist within the Council’s governance framework to address them.

There are no significant governance issues identified in this AGS. Five of the six governance issues to be monitored over the coming year already have actions associated with them either through the internal audit and review process, or within existing plans and strategies.

The action plan for this AGS therefore contains only one action:

Ref.	Action	By Whom	By When	Core Principle
AGS/24/01	Complete a full review of the Lincoln Project Management Model (LPMM)	Business Manager – Corporate Policy and Transformation	March 2025	D

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AUDIT COMMITTEE

15 JULY 2024

SUBJECT:	INTERNAL AUDIT PROGRESS REPORT
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	AMANDA STANISLAWSKI AUDIT MANAGER

1. Purpose of Report

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

2. Background

- 2.1 The Internal Audit progress report attached (Appendix A) covers the following areas:-
- Progress against the plan
 - Summary of Audit work
- 2.2 The report highlights progress against the audit plan up to 15 May.

3. Progress Report

- 3.1 Seven reports have been issued since the previous Progress Report in January. These include Contract Management (Limited), IT Asset Management (Limited), NNDR (Substantial), Staff Recruitment, Selection and Retention (Substantial), Cyber Security (Substantial), Treasury Management (Substantial) and Follow-ups (High). We have also issued an update report on the Performance Management Audit which received Limited Assurance in 2022/23.
- 3.2 The report does not contain the performance information this time as this is included within the Annual Report which is included within the same agenda.
- 3.3 Recruitment has been more positive with the recruitment of the Auditor, and the Principal. The Auditor started with us in February and the Principal started in July.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

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

4.3 Equality, Diversity and Human Rights

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

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

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

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

5. Recommendation

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

Is this a key decision? Yes/No

Do the exempt information categories apply? Yes/No

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

How many appendices does the report contain? One

List of Background Papers: None

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CITY OF
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Together, let's deliver
Lincoln's ambitious future



Internal Audit Progress Report

City of Lincoln Council
July 2024

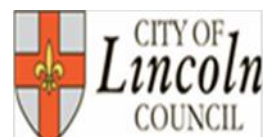




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Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The Global Internal Audit Standards 2024 state the purpose of Internal Audit as:-

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk based, and objective assurance, advice, insight and foresight.*

Internal auditing enhances the organisation's:-

- *Successful achievement of its objectives.*
- *Governance, risk management, and control processes.*
- *Decision making and oversight.*
- *Reputation and credibility with its stakeholders.*
- *Ability to serve the public interest.*

Internal auditing is most effective when:-

- *It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest*
- *The internal audit function is independently positioned with direct accountability to the board*.*
- *Internal auditors are free from undue influence and committed to making objective assessments.*

*Board – Highest level body charged with governance i.e. The Audit Committee.



The Purpose of the Report

In accordance with the Internal Audit Standards and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

Assurance opinions are categorised as follows:

<p>High</p> <p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Substantial</p> <p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p> <p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives</p>	<p>Low</p> <p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high</p>



Update on Internal Audit Activity

Since the last progress report, two limited assurance reviews have been finalised, Contract Management and IT Asset Management. A further five reviews have been completed with four substantial assurance, NNDR, Staff Recruitment, Selection and Retention, Cyber Security and Treasury Management and one high assurance, Follow-ups. Summaries of these are provided in the following sections of the report. Progress on the remaining work from the 2023/24 plan and the work within the 2024/25 plan are also included within the following sections of the report. Future Progress reports will monitor performance against this plan.

We have completed a follow-up review of Performance Management which received Limited Assurance in 2022/23. Most of the actions have now been completed resulting in a positive direction of travel. There is one remaining action concerning the updating of the Lincoln Performance Management Framework. This will be followed up through the action tracking process and progress reported through the recommendations report.

Changes to the 2023/24 plan have been included within the Annual report and so far there are no changes to the 2024/25 plan

The audits within the 2024/25 plan have now been scheduled in. The plan has been circulated to Managers setting out the proposed timeframes for each audit. In line with our processes the timescales will be included within the quarterly reports to the Departmental Management Team meetings.

We continue to carry out other work which has included the completion of the Counter Fraud and Anti Corruption Policy, co-ordination of the National Fraud Initiative and updating the Fraud Risk Register.

Planning and Resourcing

As mentioned within the Annual report for 2023/24 planning and completion of the audits has been difficult for over two of years due to staff vacancies and sickness within the Team. We have again recently secured a contract with an external provider to assist us with resources for 2024/25. The two vacancies are now filled with the Auditor starting in February and the Principal starting in July. The Auditor post is a career graded post and additional allowance for training and development has been provided for without impacting on the audit plan.



Analysis of Audit Reviews

The schedule includes those audits not at draft report stage from the 2023/24 plan as well as those within the 2024/25 plan.

Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
2023/24 – VAT/Tax	N/A	Nov-23	Apr-24	Draft report	Indicative - Substantial
2023/24 – Council Tax	N/A	Jan-24	N/A	Fieldwork	N/A
2023/24 – Western Growth Corridor (2)	Jan-24	Apr-24	N/A	Fieldwork	N/A
2023/24 – UK Shared Prosperity	N/A	Not started	N/A	Not started	N/A
2023/24 – Access Control	Feb-24	Not started	N/A	Terms of Reference agreed	N/A
Budget Management	Q4	N/A	N/A	Not started	N/A
Debtors	Q3	N/A	N/A	Not started	N/A
Housing Benefit and Council Tax Support	Q3	N/A	N/A	Not started	N/A
Business Continuity	Q2	N/A	N/A	Audit Brief completed	N/A
Corporate Planning – Vision 2030	Q3	N/A	N/A	Not started	N/A
Project Management	Q4	N/A	N/A	Not started	N/A
Risk Management	Q2	Jul-24	N/A	Terms of Reference agreed.	N/A
Contract Management Follow-up	Q4	N/A	N/A	Not started	N/A
Housing Strategy	Q2	N/A	N/A	Audit Brief completed	N/A
Market Operations	Q3	N/A	N/A	Not started	N/A
Planned Maintenance	Q4	N/A	N/A	Not started	N/A
Fleet	Q2	N/A	N/A	Audit Brief completed	N/A
Homelessness	Q3	N/A	N/A	Not started	N/A



Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
Parking Services	Q3	N/A	N/A	Planning	N/A
Housing Assistance	Q2	N/A	N/A	Audit Brief completed	N/A
Protection of vulnerable people	Q3	N/A	N/A	Not started	N/A
Western Growth Corridor (3)	Q4	N/A	N/A	Not started	N/A
GSW26	Q4	N/A	N/A	Not started	N/A
Towns Fund	Q3	N/A	N/A	Not started	N/A
IT Strategy and Infrastructure	Q3	N/A	N/A	Not started	N/A
ICT Support and Helpdesk service	Q2	N/A	N/A	Audit Brief completed	N/A
Housing Benefit Subsidy	Q1-Q2	May-24	N/A	Nearly completed	N/A



Executive Summaries of 'Limited' or 'No' Assurance Opinions

The table below provides a summary of the limited or no assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

Audit Review Title: Contract Management				
Audit Sponsor / Director	Assurance Opinion	Management Actions		
City Solicitor / Chief Executive	Limited	High 1	Medium 9	Advisory 2
<p>Summary of Key Observations:-</p> <p>Whilst the Council has Contract Procedure Rules (CPRs) in place it was found that the aspects relating to contract management were not fully complied with in all of the contracts which were tested. The main points of failure were the lack of regular formally minuted contract meetings and not adding contracts to the contract register. A further area was not maintaining evidence of approval to extend the contract.</p> <p>The CPRs have not been formally reviewed/updated since April 2018. This is partially due to waiting for the new Procurement Act to be passed. The audit identified a number of areas for improvement for the CPRs:-</p> <ul style="list-style-type: none"> • Greater clarity/guidance on the level/depth of contract management required on each contract. • Guidance on what constitutes a 'high' risk contract. • Overall responsibilities of key officers in respect of contract management. • Guidance on what details should be included within the contract register. • Update references to the new regulations. <p>The CPRs are now being reviewed and action has already been taken to define what a 'high' risk contract is and the other levels including the depth of contract management required for each level. Current contracts have been assessed against this framework.</p> <p>A lack of contract management training was identified during the audit. Training has now been provided and further training is planned once the new CPRs are complete.</p> <p>There were a number of areas of good practice such as contract managers being assigned to contracts, contract management guidelines are in place, contracts are appropriately signed, include clear, detailed terms and conditions and are reviewed by Legal services prior to issue.</p>				



Audit Review Title: IT Asset Management				
Audit Sponsor / Director	Assurance Opinion	Management Actions		
AD Transformation and Strategic Development / Chief Executive	Limited	High 0	Medium 6	Advisory 0
<p>Summary of Key Observations:-</p> <p>A number of areas were identified where vulnerabilities exist or where existing arrangements require improvement.</p> <p>The password policies in place to access the application which manages all software and hardware installed on the Council network require improvement. There is currently no restriction on the age or complexity of the password or the requirement to change the password on first use.</p> <p>There are a high number (66/408) of android mobile devices which have reached their end of life and are no longer supported but are still in use. This means that new security patches are not issued and users will not be able to install the new versions of any Apps. This increases the risk of cyber security attacks. A review of mobile devices is currently in progress as part of future planning. A similar point found that replacement dates are not recorded for any IT assets.</p> <p>Whilst there is a log of IT assets the information required to be documented is spread over a number of different systems and not all of it is captured. There is also no annual check of assets or check of stewardship.</p> <p>Improvements are required to manage assets no longer used within service areas to ensure they are returned to IT for re-distribution or disposal. Whilst there are processes in place for the disposal of IT equipment, there is no contract in place to ensure the secure disposal of hardware and data.</p> <p>Action has been agreed for all of the recommendations made.</p> <p>There were a number of areas of good practice including there being an up-to-date Asset Management policy, Intune is in place to manage mobile device patching and security including disabling or wiping lost or stolen devices and all IT equipment received and waiting to be issued is held securely in a locked store room.</p>				



Executive Summaries of 'High' or 'Substantial' Assurance Opinions

The table below provides a summary of the high or substantial assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

Audit Review Title: NNDR				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
AD Shared Revenues and Benefits / Chief Executive	Substantial	High 0	Medium 3	Advisory 1
Summary of Key Observations:- There were a number of areas of good practice within the administration of NNDR. These included controlling access to the system and system parameters and carrying out checks to ensure that the bills produced from the system are accurate. There are also processes in place to guard against fraudulent refunds, ensure discounts and reliefs are correctly administered and debts are only written off in compliance with the Financial Procedure Rules. The recommendations made to improve the processes include:- <ul style="list-style-type: none"> Recording additional information on the refund checklist to include full details of number, value and accountability. Introduction of supervisory reviews for reliefs. Supervisory reviews for accounts on hold is evidenced on the system. All of the actions agreed have been implemented.				

Audit Review Title: Staff recruitment, selection and retention				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
City Solicitor / Chief Executive	Substantial	High 0	Medium 6	Advisory 2
Summary of Key Observations:- The audit found that the Council has effective processes in place regarding staff recruitment and selection that ensure compliance with relevant legislations, policies, and procedures. The Organisational Development (OD) Board oversee all matters relating to workforce planning and support the delivery of the Council's Vision 2025, providing assurance that staff retention is a key priority and acknowledging the need for the Council to retain and develop its existing staff.				

There are comprehensive Recruitment Policy and procedures in place which are being consistently applied across the Council.

Other areas of good practice include the pro-active advertising of vacant posts, active involvement of HR during the recruitment process, detailed people strategy, risks clearly identified in the Council's Strategic Risk Register and vacancy levels and staff turnover rates are regularly monitored with actions put in place.

The recommendations made to improve the processes include:-

- Evidencing review of the Job Descriptions/Person specifications.
- Improvements to the guidance and training of managers on recruitment panels.
- Ensuring all documentation is returned to and retained by HR.
- Review of the Recruitment policy and guidance document is undertaken to update for current practice.

Audit Review Title: Cyber Security				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
AD Transformation and Strategic Development / Chief Executive	Substantial	High 0	Medium 5	Advisory 4
<p>Summary of Key Observations:-</p> <p>The audit found that overall, the arrangements for compliance to the National Cyber Security Centre steps for ensuring security of information assets and managing cyber risk was good.</p> <p>There were a number of areas of good practice including the establishment of an Information Governance working group, mandatory user security training and awareness (cyber ninjas), standardised account management procedure and endpoint and server protection and network monitoring.</p> <p>The recommendations made to improve the processes include:-</p> <ul style="list-style-type: none"> • Reviewing and updating the risk registers to include all of the essential information. • Regular reporting of risks to the Information Governance Group and Executives. • Review the process for managing non-compliant devices. • Update the incident log and review through the Information Governance Group meetings. • Develop a testing schedule for the incident response plan. 				



Audit Review Title: Treasury Management				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Chief Finance Officer / Chief Executive	Substantial	High 0	Medium 2	Advisory 1
<p>Summary of Key Observations:-</p> <p>Our review gives Substantial assurance that controls are in place, and operating as expected, to manage the key risks associated with treasury management activities.</p> <p>There were a number of areas of good practice including restricted access to the banking system, separation of duties, performance management and monitoring of cashflow. There is also a treasury management strategy statement and other documents in place to comply with the Treasury Management Practices and these are generally being complied with.</p> <p>The recommendations made to improve the processes include:-</p> <ul style="list-style-type: none"> • Regular review to be introduced to ensure that the Lloyds Link user roles align to the statements and duties/responsibilities for each treasury post as detailed in Treasury Management Practice 5. • Introduction of a checklist to ensure all requirements of the Treasury Management Strategy are actioned. 				

Audit Review Title: Follow-up				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
AD Transformation and Strategic Development / Chief Executive	High	High 0	Medium 0	Advisory 0
<p>Summary of Key Observations:-</p> <p>We carried out a review of a sample of 16 completed actions to ensure that they had been implemented and therefore the risk previously identified had been mitigated. We found that for all of those reviewed there was evidence to support their implementation.</p>				

AUDIT COMMITTEE

15 JULY 2024

SUBJECT: INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: AMANDA STANISLAWSKI AUDIT MANAGER

1. Purpose of Report

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

2. Executive Summary

2.1 The report provides a summary of the outstanding actions and progress made on implementation. There is currently 1 High action and 35 Medium actions remaining to be implemented. There are no overdue High risk actions or overdue actions for Limited or Low reports. The attached report provides more details of the splits between those overdue, extended and not due and also the changes made since the last report in February including the new actions agreed.

2.2 There are 3 reports where the actions have now all been implemented, Housing Benefit Subsidy, NNDR and Treasury Management.

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

3. Organisational Impacts

3.1 Finance (including whole life costs where applicable)

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

3.2 Legal Implications including Procurement Rules

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

3.3 Equality, Diversity and Human Rights

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

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

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

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

4. Recommendation

- 4.1 Committee are asked to review and comment on the attached Appendix and responses.

Is this a key decision? ~~Yes~~/No

Do the exempt information categories apply? ~~Yes~~/No

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

How many appendices does the report contain? One

List of Background Papers: None

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Email: amanda.stanislawski@lincoln.gov.uk



Audit Agreed Action Implementation Report

City of Lincoln Council
July 2024



Process for following up Agreed Actions

Recommendations are made within Internal Audit reports to address the weaknesses identified during the audit. Management are requested to agree actions to address the weaknesses setting out the responsibilities and timeframe for completion. These actions may or may not be the same as the recommendations.

The Internal Audit Standards require that Internal Audit must confirm that management has implemented the agreed actions made within the Audit Reports. As part of this process Internal audit must follow an established methodology which includes:-

- Inquiring about progress on the implementation
- Performing follow-up assessments using a risk-based approach
- Updating the status of management's actions in a tracking system

Where management has not progressed with the implementation of the agreed actions Internal Audit must obtain an explanation from management and determine whether there remains an unacceptable level of risk.

To meet these requirements we have a process in place to review all actions every quarter and obtain management updates on those due. We also review a sample of completed actions to ensure that the actions have been implemented as expected. These are selected based on their level of priority and the assurance level of the report, concentrating mainly on those rated High risk or from Low or Limited reports.

All actions are currently recorded and tracked using a spreadsheet.

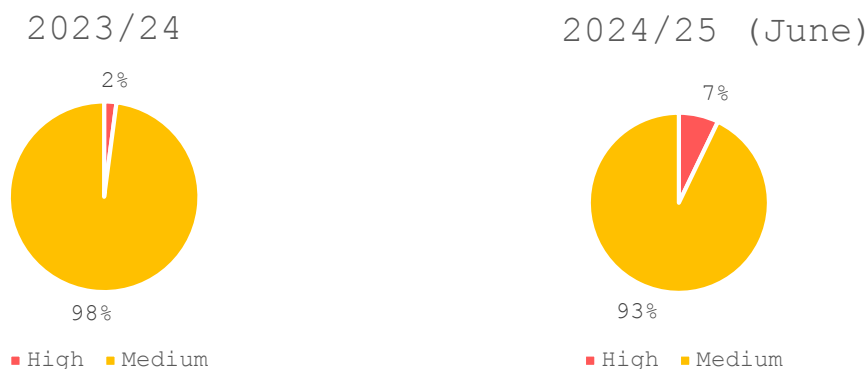
There is a protocol in place (See Appendix 1) which sets out the roles and responsibilities for all in the follow-up process.

The Purpose of the Report

In accordance with the Internal Audit Standards and the Protocol a status report is required to be presented to Management and Members setting out the progress made on implementing the agreed actions (corrective action) and any implications on the level of remaining risk.

Summary of Agreed Actions

The following charts show the number of agreed actions within reports issued during 2023/24 and 2024/25 to date:

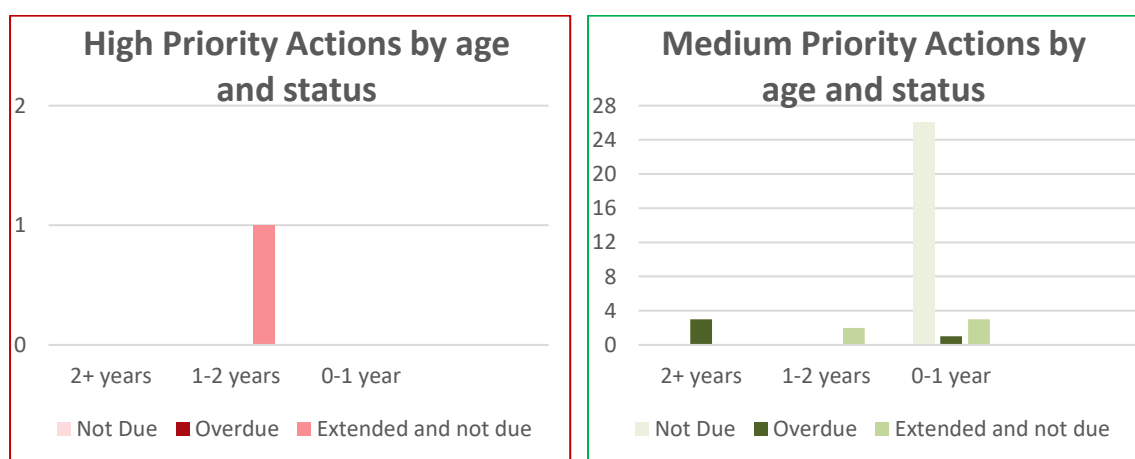


The current implementation rates for reports issued in the year are:-

2023/24	2024/25
71%	46%

There are 5 agreed actions from reports issued prior to 2023/24 which have not yet been implemented. Three are overdue and two have been extended and are not yet due.

In total there are 36 actions remaining to be implemented. These are split in age according to when the reports were issued and current status as follows:-



There are no actions which have not been agreed.



Progress

A report on the outstanding actions was presented to the Committee in February 2024. There have been a number of changes in the implementation of actions outstanding at that time and these are detailed below.

All actions have now been implemented for the following reports:-

- Housing Benefit Subsidy - November 2023
- NNDR – April 2024
- Treasury Management – June 2024

Progress made on implementing the remaining actions is summarised below in report date order:-

Audit	Report date	Assurance	No. of Actions		Comp.	Outstanding		Not yet due	Progress
			H	M		Overdue	Extended		
Housing Allocations	Aug 20	Substantial	0	4	3	1	0	0	↔
Homeless - ness	Aug 20	Substantial	0	2	1	1	0	0	↔
Office 365	May 21	Substantial	0	6	5	1	0	0	↑
Performance Management	Aug 22	Limited	3	1	3	0	1 (H)	0	↔
De Wint Court	Mar 23	Substantial	8	12	19	0	1 (M)	0	↔
IT Disaster Recovery	May 23	Substantial	0	3	2	0	1	0	↑
Creditors	Oct 23	Substantial	0	1	0	0	0	1	↔
Housing Repairs	Nov 23	Substantial	1	11	11	0	0	1 (M)	↑
Insurance	Feb 24	Substantial	0	4	0	0	0	4	New
Staff Recruitment and Retention	Mar 24	Substantial	0	10	7	0	3	0	New
Cyber Security	Mar 24	Substantial	0	5	0	0	0	5	New
Contract Management	May 24	Limited	2	19	14	0	0	7 (M)	New



Audit	Report date	Assurance	No. of Actions		Comp.	Outstanding		Not yet due	Progress
			H	M		Overdue	Extended		
IT Asset Management	May 24	Limited	0	11	2	1	0	8	New
		Total	14	89	67	4	6	26	

Full details of those not yet implemented are included in Appendix 2.



Appendix 1 - Recommendation/Agreed Action Follow Up protocol

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

1. Internal Audit will:

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

2. Audit Committee will:

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

3. Directors will:

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

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

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

Definitions

- *Recommendation* – Action recommended by the Auditor to rectify the weakness/issue identified.

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

(Approved by Committee 14 June 2022, updated June 2024 to remove reference to Pentana as no longer used)

Appendix 2 – Details of Outstanding Recommendations

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Homelessness Reduction Act Implementation	Aug-20	Medium	1.1 Agreed. We will investigate and implement with Business Development and IT how the retention and disposal of cases could be managed.	Overdue 2+ years	31/12/2020	29/02/2024	Mar 24 - Upgrade from Enterprise awaited. Once completed, work is then required to look at which documents would be migrated over and which will stay on Abrisas.
Housing Allocations	Aug-20	Medium	How to create letters/emails or notification to the applicant in order for them to respond will be tagged onto user acceptance testing of the system update	Overdue 2+ years	28/02/2021	31/03/2023	Jun 24 – We continue to work with the suppliers but have not been able to progress any further. Development was booked but didn't take place. Concerns have been raised and escalated with supplier and a further date is being requested.
Office 365	May-21	Medium	4.1 Feeds into overarching project plan before migration of files; provided resources available will enable DLP policies for Exchange Online and SharePoint Online content. Will set up and use SharePoint Online data classification policies on data stored in SharePoint Online sites.	Overdue 2+ years	31/03/2022	30/06/2024	April 24 - whilst progress is slower than hoped, this is being considered as part of the wider review of document management and storage. An extension may be needed but progress will be reviewed again end May.
Performance Management	Aug-22	High	1.1 Review the LPMF document, combine with Data Quality and reintroduce Control Sheets, defining roles and responsibilities at a high level, and linking to key documents. Will also focus on external reporting as noted.	Extended and not yet due 1-2 years	31/03/2023	31/12/2024	Apr 24 - The follow-up audit showed significant improvement and direction of travel. The LMPF documentation refresh is the only outstanding item.

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
De Wint Court	Mar-23	Medium	2.3 Tenancy booklet and agreement will be amended to include tenant liability for utility costs both during their residency at De Wint Court and if they subsequently leave	Extended and not yet due 1-2 years	31/05/2023	30/09/2025	Oct 23 - Working on a new tenancy agreement.
IT Disaster Recovery	May-23	Medium	3.1 Working with relevant external partners and colleagues across Council a proposal for a Desktop exercise for the Business Continuity Plan and IT Disaster Recovery will be developed.	Extended and not yet due 1-2 years	30/09/2023	31/07/2024	April 24 - a county wide exercise is planned which will include test of Lincoln's BCP and IT DR Plans. Extension agreed by AA from 31/03/24 to 31/07/24.
Creditors	Oct-23	Medium	1.1 The Exchequer Officer will coordinate the completion of procedure notes for all key processes and activities as outlined herein.	Not due 0-1 year	30/09/2024	30/09/2024	Not due
Housing Repairs	Nov-23	Medium	7.1 This process is being reviewed as part of the HITREP project we are looking to include an option for collecting with the operative on site through the mobile solution as other providers do rather than relying on a text message response.	Not due 0-1 year	31/08/2024	31/08/2024	Not due



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Insurance	Feb-24	Medium	1.1 Agreed procedures and operational guidance relating to key Insurance processes and activities will be developed to include a service manual for Officers across the Council. The Insurance Team will also review the current licence with JCAD Lachs over the course of the year to take into account how any possible upgrades/version improvements can be planned to support the IT strategy.	Not due 0-1 year	28/02/2025	28/02/2025	Not due
Insurance	Feb-24	Medium	1.2 Although there is some information already on the Hub this will be built upon to make more accessible to all Council Officers	Not due 0-1 year	28/02/2025	28/02/2025	Not due
Insurance	Feb-24	Medium	2.1 The insurance system does have capability to do so through diary monitoring and reporting but until now the administrative support has not been available to do so consistently across all claims. This will be improved upon now the team is full established. The development plan for JCAD Lachs as mentioned in 1.1 will be reviewed to ensure this can be achieved across all claim guidelines.	Not due 0-1 year	28/02/2025	28/02/2025	Not due

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Insurance	Feb-24	Medium	3.1 Agreed to develop mechanisms and attendance for regular reporting, at least quarterly, via Assistant Director Groups, Service Manager meetings, and/or DMT's, in agreement with Service Areas.	Not due 0-1 year	28/02/2025	28/02/2025	Not due
Staff recruitment, selection and retention	Mar-24	Medium	2.1 The Recruitment Policy and Guidance will be reviewed and updated to ensure that they are clear and consistent in the number of recruitment panel members required to have completed recruitment training and the timeframe for completion.	Extended and not yet due 0-1 year	30/06/2024	31/07/2024	May 24 - Ongoing - Extended to 31/07 due to capacity.
Staff recruitment, selection and retention	Mar-24	Medium	2.2 Checks will be carried out by HR to ensure that officers on interview panels have completed training, in line with the agreed Policy and Guidance.	Extended and not yet due 0-1 year	30/06/2024	31/07/2024	May 24 - Ongoing - Extended to 31/07 due to capacity.
Staff recruitment, selection and retention	Mar-24	Medium	2.3 A reminder will be issued to all officers to ensure that refresher recruitment training is carried out as and when required and that the date of completion is promptly recorded on the ITrent system.	Extended and not yet due 0-1 year	30/06/2024	31/07/2024	May 24 - Recruitment training sessions arranged for June and July. Extended to 31/07 due to capacity.
Cyber Security	May-24	Medium	1.1 - Risk register to be updated.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Cyber Security	May-24	Medium	1.2 - Risks to be reported regularly to the appropriate group	Not due 0-1 year	31/07/2024	31/07/2024	Not due
Cyber Security	May-24	Medium	2.1 Agreed – Process for managing non-compliant devices in Intune to be reviewed	Not due 0-1 year	31/12/2024	31/12/2024	Not due



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Cyber Security	May-24	Medium	3.1 – Incident log to be updated and will be discussed at IG quarterly meetings.	Not due 0-1 year	31/07/2024	31/07/2024	Not due
Cyber Security	May-24	Medium	3.2 – Schedule to test incident response plan to be developed.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	1.1 Contract Procedure Rules are to be completely reviewed and redrafted to ensure that all recommendations within this audit are addressed; that best practice is incorporated where appropriate and that in line with the Procurement Act 2023 (due to come into force in October 2024)	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	2.1 Recommendation (clearer guidance on level/depth of contract management arrangements) is addressed as part of the review and redraft of CPR's and through ongoing contract manager training.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	3.1 Recommendation (CPRs include responsibilities of the S151 Officer, Management Team and Senior Officers in respect of contract management) to be addressed as part of the review and redraft of CPR's.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	4.1 Recommendation (contracts are in place that clearly set out requirements in respect of contract management and performance) to be addressed as part of the review and redraft of CPR's.	Not due 0-1 year	31/12/2024	31/12/2024	Not due

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Contract Management	May-24	Medium	5.1 Recommendation (CPRs include details of what should be recorded on the Contracts Register) to be addressed as part of the review and redraft of CPR's.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	8.2 Recommendation (All extensions are formally documented and Vos retained) to be addressed as part of the review and redraft of CPR's	Not due 0-1 year	31/12/2024	31/12/2024	Not due
Contract Management	May-24	Medium	10.2 Agreed action (risk registers) to be reflected within the review and redraft of CPR's.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
IT Asset Management	May-24	Medium	2.1 a) Complete the review of all mobile devices, their current use and number of unsupported device.	Overdue 0-1 year	31/05/2024	31/05/2024	Not due
IT Asset Management	May-24	Medium	2.1 b) Develop a programme for replacement with patchable devices where needed subject to budget being available. Additional investment will be needed and a clear assessment of use and need will be completed.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
IT Asset Management	May-24	Medium	2.2 a) Develop a mechanism for annually monitoring all new devices and include this in the ICT Strategy	Not due 0-1 year	31/03/2025	31/03/2025	Not due
IT Asset Management	May-24	Medium	2.2 b) Undertake an interim action of asset review across all services	Not due 0-1 year	31/07/2024	31/07/2024	Not due

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
IT Asset Management	May-24	Medium	3.1 A final roadmap for decommissioning all unsupported SQL Server databases to be developed and agreed.	Not due 0-1 year	31/12/2025	31/12/2025	Not due
IT Asset Management	May-24	Medium	4.1 The Asset Management Policy content within the IT Security Standard will be considered again at the next scheduled review of the document (scheduled for March 2024) and amended as/where necessary to ensure it reflects current practices.	Not due 0-1 year	30/09/2024	30/09/2024	Not due
IT Asset Management	May-24	Medium	4.2 For asset verification, processes will be reviewed to determine what improvements can be made. This will include reviewing information can be extracted from the Lansweeper system and additional asset verification checks that could be undertaken during a support visit.	Not due 0-1 year	30/09/2024	30/09/2024	Not due
IT Asset Management	May-24	Medium	5.1 An annual IT asset verification process will be developed. This links with actions 2.1 and 2.2.	Not due 0-1 year	31/12/2024	31/12/2024	Not due
IT Asset Management	May-24	Medium	6.1 Review options for formal contract for the secure disposal of redundant IT hardware.	Not due 0-1 year	31/07/2024	31/07/2024	Not due

AUDIT COMMITTEE

15 JULY 2024

SUBJECT: INTERNAL AUDIT ANNUAL AUDIT REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: AMANDA STANISLAWSKI AUDIT MANAGER

1. Purpose of Report

- 1.1 To receive and comment upon the Annual Internal Audit Report 2022/23.

2. Background

- 2.1 The Public Sector Internal Audit Standards require that the Internal Audit Manager must deliver an annual opinion and report that can be used by the Council to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 2.2 The Annual Internal Audit Report of the City of Lincoln Council aims to present a summary of the audit work undertaken over the past year. In particular:
- Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
 - Informs how the plan was discharged and of overall outcomes of the work undertaken;
 - Draws attention to any issues particularly relevant to the Annual Governance Statement.
 - Summarises the performance of Internal Audit against its key performance measures.
 - Comments on compliance with standards.

3. Annual Audit Report

- 3.1 The Annual internal audit report (Appendix A) provides a summary of Internal Audit work undertaken during 2023/2024 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.
- 3.2 Overall our opinions remain the same as for 2022/23. There are three areas, governance, risk and internal financial control, where we have been able to provide the highest level of assurance - working well: no concerns that significantly affect the governance framework and successful delivery of the Council priorities. Internal control was assessed as performing adequately – some improvements identified over the Council's Governance, Risk and Control framework. This is due to a number of factors including there being two Limited Assurance reports and resource capacity which can have an impact on the internal control environment.

- 3.3 There have not been any restrictions on the scope of the work to be undertaken. The reduction in time available due to vacancies within the team throughout the year has been covered through the employment of consultants and removal of items from the plan.
- 3.4 Performance of the Internal Audit Service remains good with 87% of the revised plan being completed and a high level of customer satisfaction. Performance has been impacted due to capacity in some areas including audit span and the ability to chase management responses.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

To ensure compliance with the Accounts and Audit regulations and Internal Audit standards an annual report should be produced.

4.3 Equality, Diversity and Human Rights

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

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

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

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

5. Recommendation

- 5.1 The Audit Committee consider and comment on the contents of the report and appendix.

Is this a key decision?

Yes/No

**Do the exempt
information categories
apply?**

Yes/No

**Does Rule 15 of the
Scrutiny Procedure Rules
(call-in and urgency)
apply?**

Yes/No

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

One

**List of Background
Papers:**

None

Lead Officer:

Amanda Stanislawski, Audit Manager
Email address: amanda.stanislawski@lincoln.gov.uk

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Internal Audit Annual Report 2023/24



What we do best...

Innovative assurance services
Specialists in internal audit
Comprehensive risk management
Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers
Existing strong regional public sector partnership
Auditors with the knowledge and expertise to get the job done
Already working extensively with the not for profit and third sector

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Amanda Stanislowski – Audit Manager

Amanda.Stanislowski@lincoln.gov.uk

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

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

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include 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;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance;
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Introduction

For the twelve months ended 31 March 2024 the Council has now settled into the new ways of working following the covid19 pandemic and the revised processes are now fully embedded.

The external factors such as the cost of living and inflation have continued to have an impact on the Council both in terms of the cost of and the demand for services. This can have an impact on the control environment as the provision of services is prioritised over the administrative tasks.

Our combined assurance work found similar levels of assurance to previous years. The work revealed a common theme throughout the Council; capacity due to both people and financial constraints. A number of staff from a management level left the Council this year resulting in a loss of knowledge and experience. The inability to recruit continues to put pressure on those staff remaining although the number of applications for vacant posts is increasing providing a more positive outlook.

Financially, the Council continues to be impacted by the effects of the economic climate resulting in a number of significant variances in income and expenditure. The

short term financial settlements is also making planning more difficult.


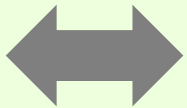






My opinion needs to take into account the impact of this on the Council's governance, risk and control environment. In doing this we rely on a number of sources of intelligence including the results of the Council's combined assurance work.

Whilst the work to be undertaken by ourselves is set out prior to commencement of the new year, it is reviewed and revised to reflect the risks faced by the Council as they change throughout the year and our resources. We formally reviewed and revised our audit plan following the half year point to reflect the impact of these.

The Internal Audit Team continues to experience vacancies. Following the introduction of a career graded post we successfully recruited to the Auditor post in February. Whilst the Principal post was appointed to in February, the new member of staff resigned. We continue to work with our partner and the vacancy will be readvertised.

Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

		Direction of Travel
Governance 	Performing Well – No concerns that significantly affect the Council's governance and control framework.	
Risk 	Performing Well – No concerns that significantly affect the risk management framework.	
Internal Control 	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.	
Financial Control 	Performing Well – No concerns that significantly affect the financial control framework.	

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Governance Assurance



Assessed as Performing Well

We have assessed governance as performing well as overall the Council has good Governance processes in place.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. There were no significant governance issues raised within the 2023/24 Annual Governance Statement (AGS). There were also none raised in 2022/23.

Corporate Governance was rated Green by management in the 2023 Assurance Map. The Council's Code of Corporate Governance was approved in February 2018 and has been reviewed annually until 2023 (excluding 2020). Minor changes have been made but nothing significant requiring approval. The 2024 review has been undertaken and is awaiting sign-off.

Six monthly updates on Information Governance are reported to the Audit Committee, the last one, in December 2023, did not raise any issues. There is one risk which has an assurance rating of Limited and a declining direction of travel – retention and disposal of personal data. Work is continuing to address this. E-learning refresher for all staff covering cyber security was rolled out in December 2023. Councillors had the option of completing the e-learning or attending face to face training in February 2024. The Information Governance Group have met several times this year to discuss relevant matters.

An assessment of Partnership Governance for the significant partnerships has been completed with the results reported to the Audit Committee in March 2024. All but one assessment had been given a green overall status with no specific concerns.

The Audit Committee helps to ensure that governance arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement. They have also completed a review of effectiveness against CIPFA best practice. The rate of compliance was high and an action plan has been produced to ensure the remaining areas are addressed.

Governance



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A recent health check was completed by Internal Audit against the Centre for Governance and Scrutiny (CfGS) 'Governance Risk and Resilience Framework' which presents 7 Characteristics of Good Governance. This has resulted in an indicative substantial assurance rating.

There are some areas identified during the combined assurance work which require review and may affect the opinion next year if not addressed these include:-

- Members – Development, New Code of Conduct and values training
- Administration of Freedom of Information Requests
- Updating Contract Procedure rules
- Capacity within Legal, Internal Audit and Counter fraud



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

Risk Management assurance



Assessed as Performing Well

We have assessed risk management as performing well as there are adequate processes in place.

The Risk Management strategy was reviewed in June 2023 and presented to the Audit Committee in July along with the Annual update. As part of the annual update five actions were identified:-

- Refresh and update the Risk Strategy to incorporate categorisation of controls
- Refresh and update of E-learning on the Hub
- Training for Service Managers and project managers and Corporate Leadership Team
- Training for Members
- Benchmarking with East Midlands Risk Management Group

The Council's risk management arrangements were rated as Green by management in the 2023 Assurance Map.

30% of all Members attended. Three members of the Audit Committee attended including the Independent Member.

Over the year, the Council has continued with existing arrangements to monitor and report the quarterly strategic risk management position to the Performance Scrutiny Committee and Executive with the last report being made in February 2024. The Strategic Risk Register was updated in May 2024 and is due to be reported to the next Performance Scrutiny Committee and Executive.

There are currently fourteen Strategic Risks on the register of which six are red and seven amber. All but four have a substantial assurance status. The four with limited assurance status relate to ensuring compliance with existing and new statutory duties, protecting the Councils long term vision, resilience, capability and capacity to deliver services and projects, and uncertainty of Government's migration policy.

There are risk registers in other areas of Council work – major projects, IT, Information Governance, Fraud, significant Partnerships and directorate service risks. These have all been updated.



We take account of the outcome of our audit work during the 2022/23 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Internal Control assurance



Assessed as Performing Adequately

Our opinion is based on several sources of intelligence including the outcome of our internal audit work and combined assurance work.

During 2023/24 there were again two Limited assurance opinions given. See appendices 1 and 2 for full details of audits completed during the year and changes made to the plan.

The number of High Risk recommendations made was low this year, with an increase in the number of Medium rated recommendations. At the time of writing there were a number of reports still to be finalised which will increase the number of recommendations from the 48 reported.

There remains good compliance with implementing recommendations as told with a High level of assurance provided again this year for the follow-up work undertaken.

There were 48 actions agreed during 2023/24 of which 24 have been implemented. However there are 8 medium actions from prior years remaining to be implemented. This is a slight increase on 7 reported last year. There are

currently 2 of these which are overdue, both of which have an explanation. One is waiting for implementation by the software provider and the other the implementation of the document management system. These continue to be monitored through CMT and the Audit Committee.

Our combined assurance work found similar levels of assurance to previous years. There were 5 areas with a Red level of assurance – further information is provided on the following page. The work revealed a common theme throughout the Council; capacity due to both people and financial constraints. The inability to recruit is putting greater pressure on those staff remaining. This is having an impact on internal controls as there is pressure to ensure that services are maintained and some of the administrative areas are being delayed or not completed.

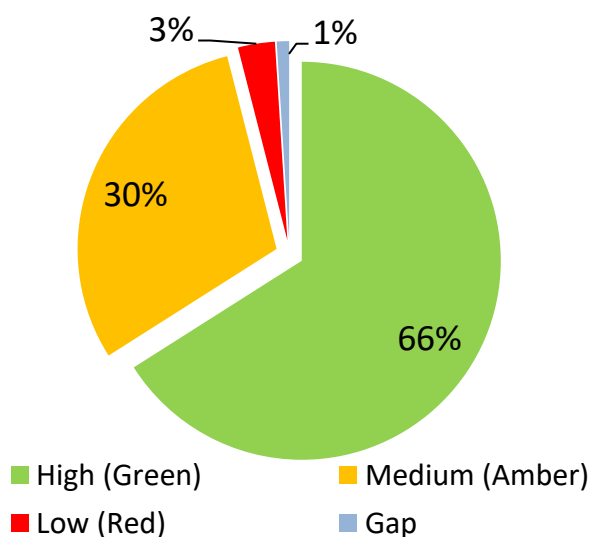
Following a period of stability, there have been some significant changes in staff throughout the year. The biggest changes have occurred at the Service Manager level with a number of long term Managers leaving the Council. There have also been changes at Assistant Director level and other key staff. The skills and knowledge lost has been significant and it will take time for the new post holders to build these back up. This can have an impact on the internal control environment.



An assurance mapping exercise is completed by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. This exercise provides key assurance evidence to support the Head of Internal Audit opinion.

Combined Assurance

Overall Assurance Status 23/24



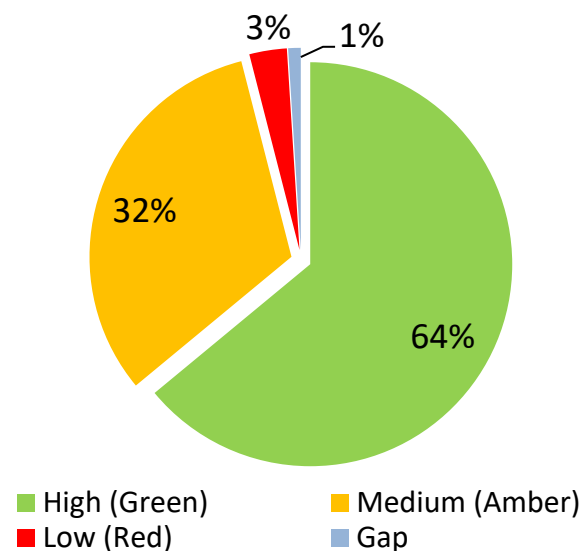
We gather the Council's assurance intelligence through an annual process across all Directorates. It provides a RAG rating assessment of the Council's Critical Activities, Key Projects and Key Risks.

Overall, there continues to be a positive assurance picture for the Council as there has been a slight change to the overall levels this year. There continues to be a high level of assurance (66%) an increase of 2% from last year.

Critical activities identified by Management as having a low level of assurance are:-

- Building control
- Legal services
- Gas servicing
- Electrical testing
- Leisure centres

Overall Assurance Status 22/23



Management continue to take action to reduce the risks within these areas.



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

Financial Control



Assessed as performing well

We have assessed financial control as performing well as despite the financial uncertainties the Council is facing, no issues were identified during audit work, the Council has a Medium Term Strategy in place which has been updated to reflect the estimated impacts of external factors such as inflation and continues to be reviewed.

During the year we have undertaken work in the following financial areas:

- Housing Benefit Subsidy – High assurance
- Insurance – Substantial assurance
- Key Control NNDR – Substantial Assurance
- Key Control Treasury Management – Indicative - Substantial Assurance
- Creditors – Substantial Assurance

This is a slight decline than in 2022/23 where most audits received a high level of assurance.

The combined assurance work identified most of the financial systems as being Green. There are several rated as Amber (Revenues Fraud Prevention and Detection, Financial Resilience, Accountancy close down, Treasury Management, Housing Rents, Internal Audit and Counter Fraud

arrangements). Many of which are linked to staff capacity and changes.

There is a process in place for reviewing the financial position of the Council including quarterly reports to the Executive. The last one being February 2024.

The MTFS sets out the predicted position for the next five years and the savings targets required. This supports the opinion that financial controls continue to perform well.

The 23/24 AGS reports an assessment against the CIPFA Financial Management Code. Some actions were identified and progress is monitored through the Audit committee, who received the assessment findings in March 24.

The CIPFA Financial Management Code assessment 23/24 actions are:-

- Update the VFM statement to incorporate new productivity plan requirements.
- Continue to support professional development – ongoing action
- Review CPR
- Review Finance Business Partnering action plan – implementation complete now to review
- Consider options for an independent financial resilience assessment.
- Further development of the budget/strategic plan consultation – some work completed



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

Audit Committee approved the 2023/24 audit plan of 310 days in March 2023. The Plan was revised during the year and the days reduced to 236 due to available resources – see Appendix 2 for details.

We have delivered 87% of the revised plan - details of the work completed is set out in Appendix 1.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's senior management team to agree audit scopes and to ensure audit work is progressed.

I do not consider the changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken has helped in this regard.



Our Work



Internal Audit's role include advisory and related service activities, the nature and scope of which are agreed with CMT, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Other Significant Work

During the year we completed testing of Housing Benefit Subsidy on behalf of the External Auditors, Mazars.

We completed the Combined Assurance work which maps all assurance across the Council using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships.

We have continued to provide advice and guidance to services as required.

We also:-

- Produced the six-monthly and annual fraud reports
- Reviewed the Counter Fraud and Anti-Corruption Policy and Strategy
- Refreshed the Fraud Risk Register
- Administered the Whistleblowing cases
- Administered the 2022 NFI exercise.
- Completed the review of Effectiveness of the

- Audit Committee and Internal Audit.
- Reviewed the Audit Committee Terms of Reference.
- Completed the review of the Head of Internal Audit





We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.

Our audit practice includes ongoing quality reviews for our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

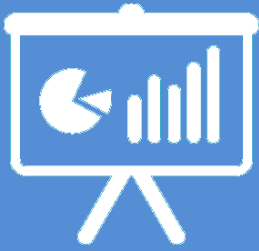
There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings.

The City of Lincoln Council conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in early 2022 and we were found to 'FULLY CONFORM'.

Our quality assurance framework helps us maintain a continuous improvement plan, which is refreshed periodically.

External Audit

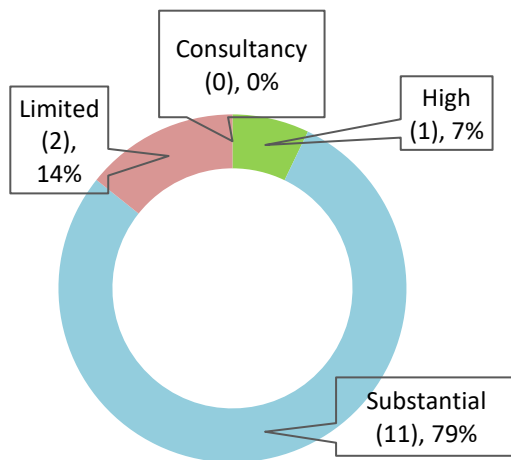
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances

There has been a move in assurance opinions this year with no consultancy work. Full details are provided in Appendix 1.



Increase in High and Substantial assurance opinions overall (from 67% to 86%).

Decrease in High assurance opinions (from 28% to 7%).

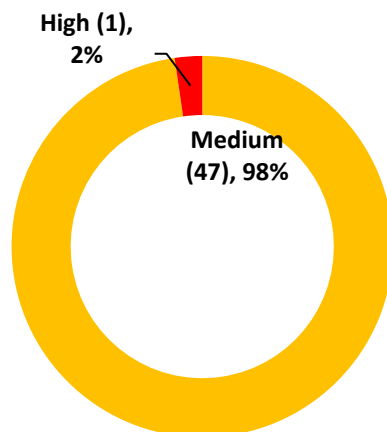


Actions

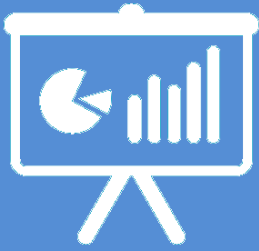
There has been a substantial change in the number of agreed actions given a high risk rating. However there are a number of reports included above with indicative assurance levels and the actions have not yet been agreed so are not included below.

High priority agreed actions have decreased (from 36%)

Medium priority agreed actions have increased (from 64%)



Implemented agreed actions have increased to 52% (from 25%). Target 100%

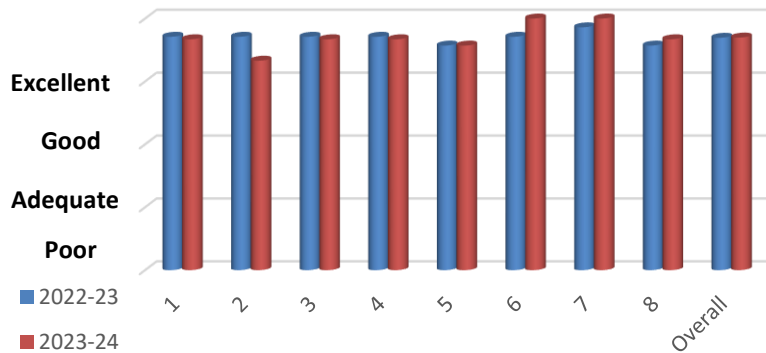


Internal Audit's performance is measured against a range of indicators. Our client feedback continues to be rated excellent.

Performance on Key Indicators

Whilst it has been a challenging year we are pleased to report that satisfaction with our services remains high and we have completed 87% of the revised plan. We recognise that the inability to recruit to the vacant posts and sickness has impacted on our ability to complete audits within time which remains below target and has further decreased. In addition to the support from our partner, some of the audits were completed by the Manager and a temporary member of staff who works one day a week which increased the time span. Capacity within the service areas has also impacted on the timescales.

Client Feedback – Post Audit Questionnaire Results



Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of Report

Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

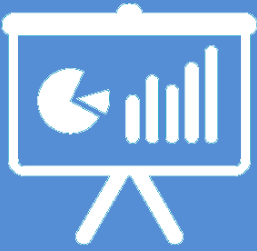
Very efficient and thorough audit. Thank you.

This was a very tricky audit, due to new staff and process changes however felt this was really well reflected and accounted for as part of the process

Thank you for a thorough and detailed audit.

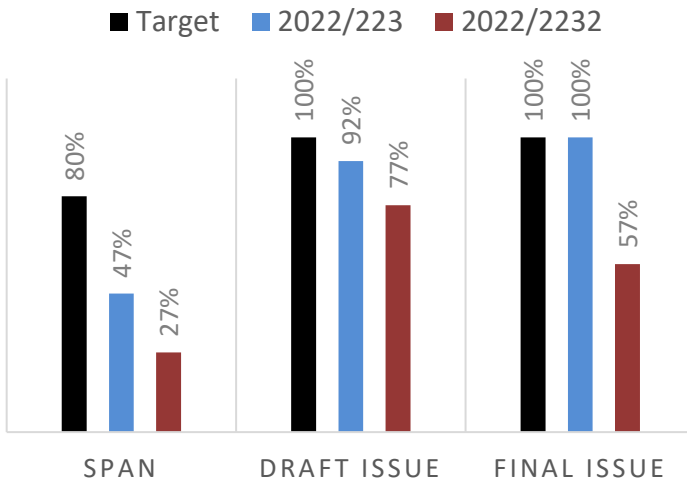


Benchmarking



We are pleased to report a good level of achievement in the delivery of the revised plan, but we recognise that improvements are required in the time taken to undertake audits (Span) and obtaining management responses.

Timeframes



87%
Of the plan
delivered

There has been a decrease in the issuing of the final reports due to clarification being required on some of the management responses. We will look at how these are captured going forward.

We continue to experience delays in obtaining responses to draft reports. 70% have not been received within 10 days. This is an increase on 60% in 2022/23. Some of this is due to service capacity and also capacity within the Audit Team to pursue. We will be looking at ways to improve this once fully staffed including greater liaison with the individual management teams to raise the issues and a more visible documented protocol.

The impact of these delays means that our reports are not being issued in a timely manner and additional resources are taken up chasing responses.

30%
Management
Responses received
within 10 days

The following Audits have been completed during 2023/24:-

Audit	Rating	Type	High	Medium	Total	Implemented
Housing Benefit Subsidy	High Assurance	Risk Based Audit	0	1	1	1
Staff Wellbeing	Substantial Assurance	Risk Based Audit	0	10	10	10
Housing Repairs	Substantial Assurance	Risk Based Audit	1	12	13	9
IT Asset Management	Indicative – Limited Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Performance Management	Positive direction of travel	Follow-up	N/A	N/A	N/A	N/A
VAT/Tax	In Progress	Risk Based Audit	N/A	N/A	N/A	N/A
Insurance	Substantial Assurance	Risk Based Audit	0	4	4	0
Council Tax	In progress	Risk Based Audit	N/A	N/A	N/A	N/A
Creditors	Substantial Assurance	Risk Based Audit	0	1	1	0
Key control - NNDR	Substantial Assurance	Risk Based Audit	0	4	4	4
Key Control – Treasury Management	Indicative - Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Contract Management	Indicative – Limited Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Governance	Indicative – Substantial Assurance	Health Check	N/A	N/A	N/A	N/A
Staff Recruitment	Substantial Assurance	Risk Based Audit	0	10	10	0
Western Growth Corridor	In progress	Project Audit	N/A	N/A	N/A	N/A
UK Shared Prosperity	Not started	Project Audit	N/A	N/A	N/A	N/A
Cyber Security	Substantial	Risk Based Audit	0	5	5	0
	Sub-total		1	47	48	24

Audit	Rating	Type	High	Medium	Total	Implemented
Digital	Indicative - Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Access Control	Not Started	Risk Based Audit	N/A	N/A	N/A	N/A
Follow-ups	Indicative - High Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
	Total		1	47	48	24

The approved Plan for 2023/24 was 310 days, but due to staff vacancies it was reduced to 278 and a revised plan approved at the September Audit Committee. The audits of Business Continuity, CCTV, Fleet and Electoral Registration were removed.

Following this further changes were made to remove the following audits:-

- Housing Strategy – agreed as a new strategy was being written. A review of the new strategy is included within the 2024/25 plan.
- Neighbourhood Management – agreed as the current work was coming to an end and consultants had been brought in to consider the success of the work undertaken and future plans. An audit would duplicate this work.
- Housing Rents – removed due to capacity both within the service and the audit team.
- Housing IT project – removed as an external consultant had been commissioned to

undertake a review of the project to date. An audit would be duplication of this.

Additional time was spent on the Contract Management audit to obtain evidence, increase the sample sizes and carry out a more in-depth review.

This resulted in a plan of 236 days for 2023/24. Whilst this is considerably lower than the plan, it is considered that there is enough coverage to provide an opinion in conjunction with the combined assurance work and sight of the external reviews carried out.

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be approved by management, the S151 Officer and the Audit Committee.

High

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

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

Substantial

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

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

Limited

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

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

Low

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

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

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

AUDIT COMMITTEE**15 JULY 2024**

SUBJECT:	INTERNAL AUDIT ANNUAL FRAUD REPORT
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

- 1.1 This report informs the Audit Committee of performance against the 2023/24 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations.
- 1.2 To provide Audit Committee members with an update on the fraud risk register.

2. Background

- 2.1 The Council is opposed to any form of fraud and malpractice and is committed to operating in an open and honest way. There is a Counter Fraud and Anti-corruption Policy in place which sets out the Councils Strategy and the action it takes to reduce fraud.
- 2.2 A report is presented every six months to the Audit Committee setting out the action taken by the Council, incidences of fraud and, on an annual basis, the results of the review of its fraud risks.

3. Annual Fraud Report

- 3.1 The report summarises the number of cases during 2023/24 comparing them with the previous year. There has been an increase in most cases this year.
 - Referrals to the DWP have increased by 60% from 5 to 8 and there has also been an increase in the number of NFI cases where there has been a further increase to 757 cases from 622 for Housing Benefit and Council Tax Reduction (HB/CTR).
 - So far the 2022 NFI exercise has resulted in 26 errors being identified within HB/CTR saving £31,645.
 - The review of Single Person Discounts undertaken in 2023/24 resulted in an increase in revenue of approx. £105,636.
 - The number of notices to quit issued to tenants has also increased from 15 to 25, freeing up currently unoccupied properties for others.
- 3.2 Some progress has been made against completing the actions within the Counter Fraud Action Plan and these are detailed within the report. There have been some delays due to capacity within the Teams involved. There are 3 actions which are still in progress and these have been added onto the 2024/25 action plan. These include the Single Person Discount Rolling Review, Self-Assessment against the Counter Fraud Strategy and Counter Fraud training.

- 3.3 Whistleblowing referrals have significantly decreased this year, most of these related to Single Person Discounts. Allegations made were mainly in respect of partners being resident.
- 3.4 As part of the Council's fraud strategy a counter fraud risk register is maintained. An interim review has been undertaken which has considered the risks on the register and the mitigating actions.
- 3.5 The Fraud Risk Register contains 24 risks. None are Red, 12 are Amber and 12 are Green. The 2 highest rated are IT/Data/Cyber Fraud and Council Tax.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

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

4.2 Legal Implications including Procurement Rules

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

4.3 Equality, Diversity and Human Rights

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

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

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

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

5. Recommendation

- 5.1 The Audit Committee consider and comment on the contents of the report and appendix.

Is this a key decision?

~~Yes~~/No

Do the exempt information categories apply?

~~Yes~~/No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

~~Yes~~/No

How many appendices does the report contain?

One

List of Background Papers:

None

Lead Officer:

Amanda Stanislowski, Audit Manager
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Counter Fraud

2023/24 Annual Report



Introduction

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption.

The report also informs the committee of performance against the 2023/24 Counter Fraud Work Plan and the Counter Fraud Strategy, the outcomes of pro-active fraud work and investigations and the current Fraud Risk Register.






The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

Overview of Cases

During 2023/24 the Council has experienced the following number of cases:-

	Cases 2023/24	Cases 2022/23	Change
Referrals to the Single Fraud Investigation Service – DWP	8	5	
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	25	15	
Whistleblowing	11	22	
NFI – HB/CTR matches:- Received Processed Fraud Errors	757 744 0 26	622 7* 0 0	
Single Person Discounts Removed	282	0	
Other Fraud (Web payments & Fraudulent cheques)	36	N/A	New

* Matches were not received until January 2023

Work Completed / In Progress

The Council undertakes a number of Counter Fraud activities throughout the year, both on it's own and through the Lincolnshire Councils Fraud Partnership (LCFP). The following sets out the progress made against items included on the 2023/24 Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
1	Self Assessment against the Counter Fraud Strategy	Q4 – Revised to 2024/25	Internal Audit Manager	Not started – Strategy has recently been revised and a check will be carried out during 2024/25.
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager	Completed an update but the refresh has been moved to 2024/25 due to capacity.
3	Single Person Discount Annual Review	Q2	Revenues and Benefits Manager	Completed - A single person discount review was undertaken internally during July/August and reminders went into September (internally via a campaign on the NEC system).
4	Fraud Training for Officers and Members	Q4 – Revised to Q2 2024/25	Internal Audit Manager / Chief Finance Officer	Partially Complete - E-learning completed and made available to Officers and Members. Raised at Service Managers Team Forum to encourage completion. 563 members of staff (approx. 94%) have completed the training. Organising training for Members through Lincolnshire County Council provisional date July 2024.
5	Single Person Discount Rolling Review	Q4 – Revised to Quarter 2 2024/25	Revenues and Benefits Manager	Lincolnshire County Council no longer leading on this initiative. Officers currently assessing solutions with a view to implementing in 2024/25.

Work Completed / In Progress

In addition to the work on the Action plan we have also carried out the following:-

- ✓ Updated the Counter Fraud Policy and Strategy
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Reviewed and reported potential fraud cases referred to Internal Audit
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Empty property review for Non Domestic Rates – being undertaken by Visiting Officer during 2023-24

Further information on the cases and work completed is included in the following sections.

Work in progress in addition to that on the Action Plan:-

- Reviewing the matches from the 2022 NFI and recording results.

Summary Counter Fraud Action Plan 2024/25:-

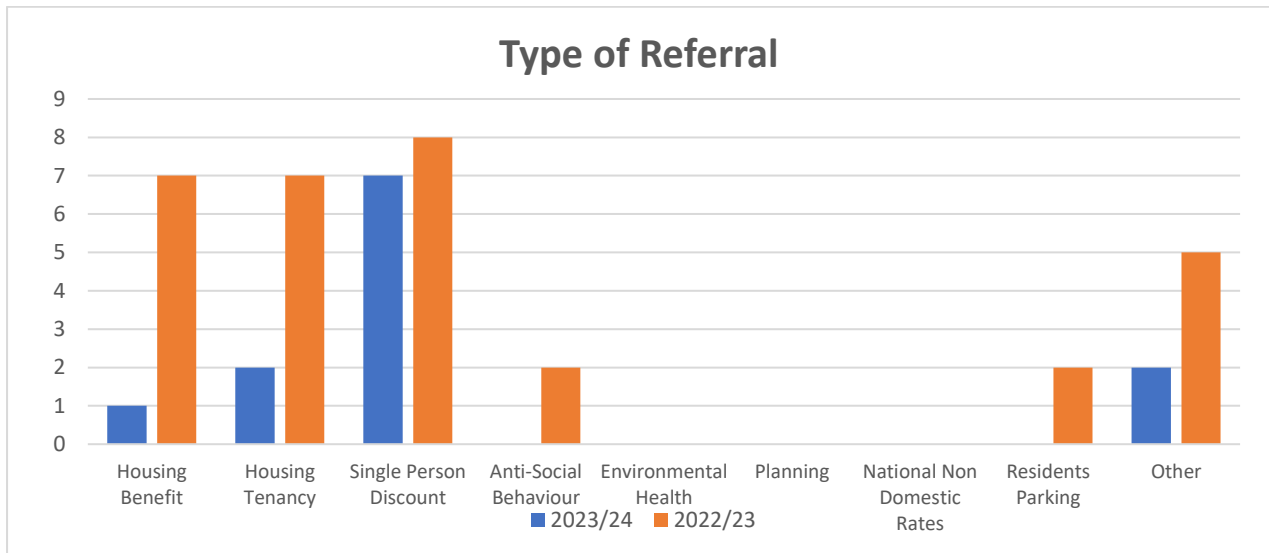
There are a number of activities which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases, these are not included on the Action Plan itself. The 2023/24 Counter Fraud Action Plan includes additional activities and projects to be completed during the year. A summary of the action plan is included as follows:-

Ref	Activity	Target Date	Responsibility
1	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager
3	Single Person Discount Annual Review	Q3	Revenues and Benefits Manager
4	Fraud Training for Members	Q2	Internal Audit Manager/Lincolnshire County Council
5	Single Person Discount Rolling Review	Q2	Revenues and Benefits Manager
6	Raising awareness of scams and counter fraud with staff and Members	Q4	Internal Audit Manager
7	Raising awareness of scams and counter fraud with the community	Q4	Assistant Directors
8	Review the process for NFI including training, reviewing reports, results and responsibilities.	Q3	Internal Audit Manager and Corporate Leadership Team.
9	Revise/update the tenancy fraud policy, strategy and action plan.	Q4	Assistant Director - Housing

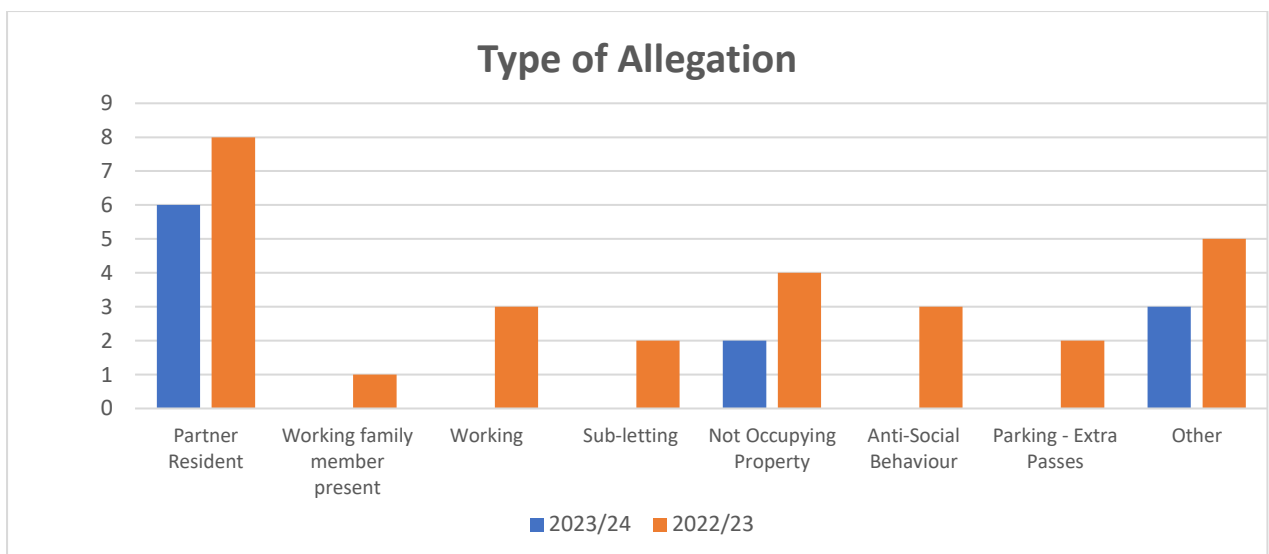
Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council and also receives Whistleblowing referrals directly. During 2023/24, we have had 11 whistleblowing reports which is 50% less than 2022/23.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 11 cases recorded:-

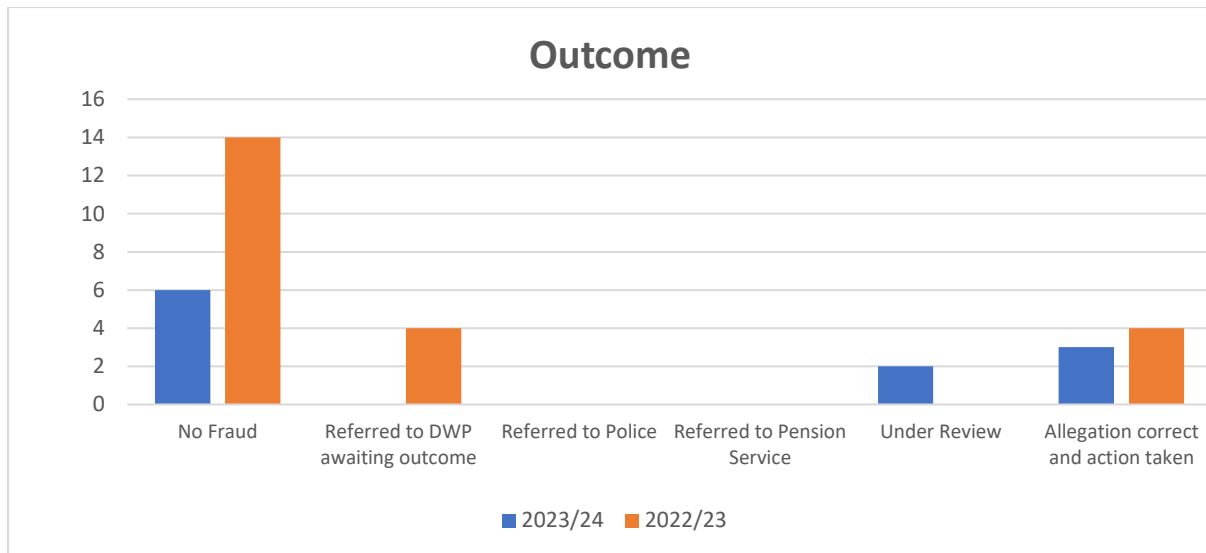


There has been a significant reduction in most types of referrals with the exception of Single Person Discounts which are relatively similar to 2022/23.



In line with the types of referrals, the main allegation remains partner resident. The other allegations included suspected over occupation of a property and evasion of car parking fines.

Whistleblowing



The change in the type of referral and allegation has meant that no cases were referred to other bodies awaiting outcomes. Most of the cases have been reviewed and resulted in no fraud being identified. There were however three cases where corrective action was taken as follows:-

- Single person discount was removed from an account and 25% reduction was recovered on the account.
- Council Tax Reduction cancelled for one account as resident is not living at the property. This has resulted in £25.20 per week being saved.
- Council Tax reduction claim amended to include correct residents resulting in a £4.60 per week reduction.

Payment of Housing Benefit and Council Tax Support can be reliant on information provided from the DWP and Pensions Service. Where this is the case the Council pass over the information received through the Whistleblowing process but is unable to change the benefit paid until they receive updated information from the DWP.

National Fraud Initiative

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, electoral role, housing and licences.

Files were uploaded in October and December 2022 for the 2022/23 run with results published in early 2023.

The matches have so far resulted in savings of £31,645 in Housing Benefit/Council Tax Support. Recovery is currently underway for £31,636 of overpayments. There was one duplicate creditor payment of £1,250 which has been repaid.

The current position for these is shown in the following tables:-

NFI results for 2020/21 and 2022/23 to date:-

Matches relating to Housing Benefit/Council Tax Reduction:-

	2022/23 NFI exercise To 30/04/24	2020/21 NFI exercise Total
Total Matches	757	332
Investigating	1	0
Cleared	744	332
Frauds	0	0
Errors	26	27
Total Outcome / Savings	£31,645	£39,351
Claims where seeking recovery	26	25
Amount to recover	£31,636	£39,076

There was one error relating to Housing Benefit where the claimant had not declared a student loan. This resulted in an overpayment of £1,170. The remaining 25 errors related to Council Tax Reduction:-

- 3 matched to other payrolls, overpaid £6,875
- 12 matched to other pensions, overpaid £12,114
- 1 matched to other tenancy (overlapping) £460
- 3 matched to HMRC property ownership records, overpaid £1,343
- 4 matched to HMRC earnings and capital records, overpaid £7,595
- 1 matched to HMRC household composition records, overpaid £1,629
- 1 matched to other housing benefit, overpaid £460

National Fraud Initiative

Other Matches:-

2022/23 NFI exercise

Area	Number	Investigating	Cleared	Fraud/ Error	Over- payments	Seeking recovery
Payroll	20	0	8	0	0	0
Housing	551	12	19	0	0	0
Right to Buy	266	0	0	0	0	0
Waiting List	61	2	0	0	0	0
Creditors	454	0	5	0	£1,250	Repaid
Residents Parking	4	0	4	0	0	0

The Creditor overpayment relates to a duplicate payment made to a creditor who was legitimately set up with two different reference numbers due to requiring payments into different bank accounts depending on what was being purchased. The supplier has repaid the Council.

2020/21 NFI exercise

Area	Number	Over- payments	Seeking recovery
Payroll	18	0	0
Housing	345	0	0
Creditors	541	£7,461	£0*
Grants	17	0	0

*The debt has been written off as the supplier no longer exists

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. Whilst the Council is continually vigilant in responding to the ongoing and increasing Cyber threat, there is a constant threat ranging from opportunists to organised crime, which look to exploit security vulnerabilities and potential fraud arising from security breaches.

There have been no recorded events which have resulted in fraud arising from a Cyber attack. However, technology is often involved in any fraud due to the nature of the way information is stored, processed and transmitted. Whilst there have not been any incidences of fraud, the Council has a number of measures in place to ensure that it continues to prevent fraud and cyber security remains visible:-

- The Council continues to place high importance on cyber security and has included it within the Strategic Risk register as a red risk. It is also within the Fraud Risk Register together with other IT and Data. This is currently classified collectively as an Amber risk.
- IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) for 2022/23. There is now an ICT disaster recovery policy in place which includes action cards for known incidents such as ransomware, phishing, and malware.
- A recent audit of Cyber security has provided a substantial opinion, and an action plan is in place for implementing the recommendations made.
- The Authority has tools to guard against Cyber threats and has also provided awareness training to staff and members on good Information Governance and Cyber Security. The Information Governance Group also considers cyber security within its programme of work.
- The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

Housing Benefit / Council Tax Support

For 2023/24 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 8. There continues to be a low number of referrals made to SFIS (Single Fraud Investigation Service) due to the reduction in the HB caseload as well as us doing proactive work through initiatives such as NFI (National Fraud Initiative), VEP (Verifications of Earnings and Pensions), HBMS (Housing Benefit Matching Service) and HBAA (Housing Benefit Award Accuracy).

There have not been any prosecutions or administrative penalties issued this year.

Council Tax – Single Person Discount (SPD)/ Empty Properties

A reduction of 25% on the Council tax payable is available where a property is occupied by a single person. A single person discount review was carried out during 2023/24. This generated an estimated revenue of £105,636. The largest amount to be removed was a single person discount on a Band G property which was removed with effect from 1st April 2023 and raised £872.55 debit.

There are a number of discounts and charges for empty domestic properties varying from a 100% discount for the first unoccupied month up to a 400% charge where the property has been empty for 10 years or more. During the year an internal review of empty properties was undertaken. As many had already been identified during the administration of the energy rebate scheme there were only a few additional properties identified. The premium charge on an empty property for 2023-24 is applied where the property has been empty over 2 years but less than 5. From 1st April 2024 this premium will be applied where the property has been empty over 12 months but less than 5 years.

NNDR

The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, and other discretionary relief.

Small Business Rates Relief is being reviewed once every two years. Application forms request details of all properties that the applicant occupies and use the internet, websites and contacts at other Local authorities to ensure that Small Business Rates Relief is not awarded where there is no entitlement.

Housing Tenancy

Tenancy fraud covers several areas including unlawful sub-letting or assignment, non-occupation, key selling, application deception, right to buy fraud.

For 2023-24 there were 25 notices to quit issued for non-occupation of a council dwelling and all have been ended without recourse to legal proceedings. A significant increase from 2022/23 where 15 were issued.

Payroll and Human Resources

There were no frauds identified within payroll and Human Resources this year. Within Payroll one of the checks carried out ensures that changes to bank details for staff are validated with them prior to payments being made (where requests are made outside of the HR/Payroll System). The system itself also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

Elections

There were no frauds reported involving the elections. The team continue to implement the processes laid down by the Electoral Commission.

Other fraud / fraud attempts

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement and creditors.

We have reviewed the processes for collating data on fraud and have identified other areas where fraud has been attempted these include 26 web payments and 10 fraudulent cheques.

Fraud Risk Register

The Fraud Risk Register has been updated this year concentrating on updating the assurance levels. A full refresh was planned for 2023/24 where a detailed review of the risks will be completed alongside an audit of some of the mitigating actions to ensure they are in place. This was not completed due to capacity within the Team and is now planned for 2024/25.

There have been no changes made to the risks on the register.

The current risks and risk levels are:-

Risk No	Title	Rating	Likelihood	Impact
1	Contract Management	Green	Hardly Ever	Minor
2	Procurement	Amber	Hardly Ever	Major
3	Creditor Payments	Amber	Hardly Ever	Major
4	Income Collection	Green	Hardly Ever	Minor
5	Debt Management	Green	Hardly Ever	Minor
6	Money Laundering	Green	Hardly Ever	Negligible
7	BACS/Cheques	Green	Hardly Ever	Minor
8	Payroll / employees	Green	Hardly Ever	Negligible
9	Treasury Management / Investment Fraud	Amber	Hardly ever	Major
10	Property, land, equipment	Amber	Hardly Ever	Major
11	Grants Received – passported funds	Amber	Possible	Minor
12	Grants Paid - Housing	Amber	Possible	Minor
13	Grants Paid – Third Sector	Green	Hardly Ever	Minor
14	False Accounting	Green	Hardly Ever	Minor
15	IT / Data / Cyber fraud	Amber	Possible	Critical
16	Insurance	Green	Hardly Ever	Minor
17	Council Tax	Amber	Probable	Minor
18	Business Rates	Green	Hardly Ever	Minor
19	Council Tax Support Scheme	Amber	Possible	Minor
20	Housing Benefit	Amber	Possible	Minor
21	Housing	Amber	Possible	Minor
22	Development Management	Green	Hardly Ever	Minor
23	Theft / Asset Misuse	Green	Possible	Negligible
24	Election Fraud	Amber	Hardly Ever	Major

There have been no changes to the risk scores since last year. Mitigations are in place for all risks. Some of the main mitigations for the two highest risks are:-

15 – IT / Data / Cyber Fraud

- Cyber security refresher training in place – Jan 2024 and future training planned in.
- Annual data protection training for all staff and Members and training on induction carried out for all staff and Members.

Fraud Risk Register

- IT security policy and security standard in place and on Net Consent
- Access control standard in place and on net consent
- Member usage agreement in place and on net consent,
- Information Governance Policies in place and on net consent
- Software controls including restriction on access.
- Asset registers include IT equipment
- IT Risk Register

17 – Council Tax

- Whistleblowing arrangements report cases of Single Person Discount (SPD) and other exemptions
- National Fraud Initiative includes reports on SPD
- Property inspections undertaken
- SPD reviews undertaken

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AUDIT COMMITTEE**15 JULY 2024**

SUBJECT:	COUNTER FRAUD POLICY/STRATEGY
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

- 1.1 To present to Members an updated corporate Counter Fraud Policy/Strategy, for review/comment.

2. Background

- 2.1 The Council's Counter Fraud Policy/Strategy was last updated in 2021. The 2024 version takes account of the latest best practice guidance.
- 2.2 The Council has a range of Counter fraud policies, procedures, and guidance. The Corporate Policy/Strategy aims to provide the high-level framework and direction which guides activity and other policy areas.
- 2.3 Fighting Fraud and Corruption Locally 2020 is the latest counter fraud and corruption strategy for local government. It provides a blueprint for a co-ordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.

3. Changes to the policy/strategy

- 3.1 In the main the updated policy/strategy is similar to the previous one in terms of content with the main change being a change in format. It also contains the revised document version control tables.
- 3.2 There is a more definite split between the Policy and Strategy, with the Policy setting out the Council's Counter Fraud and Anti-Corruption Policy Statement. The strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption.
- 3.3 The arrangements in place detailed within the Strategy continue to be split between the five key principles, Govern, Acknowledge, Prevent, Pursue and Protect and these are now shown in boxes with coloured banners to improve clarity. These have been checked and updated to reflect the current arrangements in place.
- 3.4 Elements such as the definitions and further information have been moved to the appendices.
- 3.5 The Counter fraud strategy roles are set out within the Strategy both for officers and members.

- 3.6 Various links have been added to further sources of information including crime prevention organisations, good practice and the Transparency Code. The link to the Friends against scams training contains useful information for identifying scams and spotting possible victims in the community.
- 3.7 In terms of implementing the Policy/Strategy there is a programme of work, to ensure a strong counter fraud culture across the Council led by officers with counter fraud responsibility. This annual counter fraud action plan is agreed by Corporate Management Team and the Audit Committee in June and reflects resources available. The action plan is linked to fraud risks. Outcomes from the plan are reported as part of the half yearly fraud reports to the Audit Committee.

4. Strategic Priorities

Adopting an appropriate Counter Fraud Policy and Strategy will contribute to all of the Council's strategic priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support the priorities.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising from this report. However, the application of approved anti-fraud policies is intended to protect the Council against loss through fraud and corruption.

5.2 Legal Implications including Procurement Rules

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

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 this report there are no direct equality, diversity or human rights implications.

6. Recommendations

- 6.1 That the Audit Committee review and comment on the updated Counter Fraud Policy/Strategy and refer to the Executive for approval.

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? 1

List of Background Papers: None

Lead Officer:

Amanda Stanislawski, Audit Manager
Email: amanda.stanislawski@lincoln.gov.uk

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COUNTER FRAUD AND ANTI-CORRUPTION POLICY STATEMENT AND STRATEGY

April 2024

Document Control

Organisation	City of Lincoln Council
Title	Counter Fraud and Anti-corruption Policy Statement and Strategy
Author	Amanda Stanislawski Audit Manager
Owner/Responsible Officer	Jaclyn Gibson (Chief Finance Officer / S151)
Consultation	Audit Committee / Executive
Version	2
Next Review Date	April 2026

Review Arrangements: Every two years

Document Amendment History

Revision	Originator	Date	Description
1.01	John Scott	2021	
2.00	Amanda Stanislawski	April 2024	Renamed and partially re-written.



Counter Fraud and Anti-corruption Policy Statement

This statement sets out the City of Lincoln's policy in relation to fraud and corruption. It is supported by senior management and elected members demonstrating that the Council takes its responsibilities seriously and is committed to employing the highest ethical standards.

The Council's Counter Fraud and Anti-Corruption Policy Statement:

The Council is opposed to any form of fraud or malpractice by its councillors, employees, suppliers, contractors, partners, service users or members of the general public and will take all necessary steps to investigate all allegations of fraud or malpractice and pursue sanctions available in each case. The Council is committed to operating in an open and honest way in order to:-

- ***Prevent , deter and detect fraud and malpractice;***
- ***Allow scrutiny and investigation to take place, both internally and externally***
- ***Allow rigorous enforcement to take place; and***
- ***Reinforce good practice and prevent reoccurrence***

The aim is to ensure that we have a clear counter fraud and corruption culture, which is part of daily business, aligns with our objectives and fulfils our responsibility to reduce fraud and protect resources.

This Policy Statement is underpinned by a Counter Fraud and Anti-corruption Strategy (the Strategy). The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. It sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.



Counter Fraud and Anti-corruption Strategy

1. Introduction

1.1 Fraud affects the UK across all sectors and causes significant harm. Within the public sector every £1 lost to fraud is a £1 less that can be spent on supporting the community. Appendix B sets out the definition of theft, fraud, bribery, money laundering and corruption.

1.2 The City of Lincoln Council takes a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources. We recognise fraud can impact on our organisational and strategic objectives and:

- undermine the standards of public service that the Council is attempting to achieve
- reduce the level of resources and services available for the residents of Lincoln
- result in major consequences which reduce public confidence in the Council

1.3 This strategy complies with the CIPFA Fraud and Corruption guidance 2014 which requires an organisation to have a counter fraud strategy in place which sets out its approach to managing its risks and defining responsibilities for action (Principle C). A review will be completed at least bi-annually to ensure it remains compliant. It links with other various policies and procedures covering fraud prevention within the Council which are available on the Council's website and/or NetConsent, these include:-

- Council's constitution including Financial Procedure Rules, Contract Procedure Rules, Codes of conduct
- Anti-Money laundering policy
- Anti-Bribery policy
- Benefit fraud, sanctions and prosecutions policy
- RIPA policy
- Whistleblowing policy
- Tenancy Fraud Strategy
- Counter Fraud risk register
- Fraud awareness course
- Gifts and hospitality register
- Register of interests
- IT security policy
- Data protection policy
- Risk Management Policy and risk registers including Fraud Risk Register
- HR Policies

2. Scope

2.1 This Policy/Strategy applies to:

- All City Council employees and Councillors
- Staff and Committee members of council funded organisations
- The City Council's partners
- The City Council's suppliers, contractors, and consultants
- City of Lincoln residents, businesses, and other stakeholders/third parties

3. Aims and objectives

3.1 We aim to:

- ✓ Reduce fraud and loss to an absolute minimum.
- ✓ Protect the Council's valuable resources and reputation by ensuring they are not lost through fraud but are used for improved services to Lincoln residents.
- ✓ Create a Counter Fraud culture which in beating fraud and corruption is part of daily business and highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone – the public, employees, managers and policy makers.
- ✓ Provide the best counter fraud service we are able to, which will:-
 - Proactively deter, prevent and detect fraud, corruption and theft.
 - Investigate suspected or detected fraud, corruption of theft.
 - Enable the Council to apply appropriate sanctions and recover all losses.
 - Provide recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

3.2 Effective counter fraud and anti-corruption arrangements are part of good governance and the wider governance framework of the Council (the Council's "Code of Corporate Governance"). The Council recognises the importance of developing a culture that is resilient to these threats.

3.3 Where possible, we will look at opportunities to improve resilience and also achieve financial savings from fraud work. A number of specific measures have been set to measure counter fraud outcomes (Section 10).

5. Strategy

5.1 This strategy draws on best practice from the 2020 Fighting Fraud and Corruption Locally Strategy which sets out five key guiding principles: Govern, Acknowledge, Prevent, Pursue and Protect:-



5.2 Accompanying the five principles are six overarching themes to assist the organisation ensure that our counter fraud response is comprehensive and effective. These are often referred to as the six Cs:-

Culture	Create a culture in which beating fraud and corruption is part of normal business
Capability	Ensuring that the range of counter fraud measures deployed is appropriate to the fraud risks
Capacity	Deploying the right level of resources to deal with the level of fraud risk
Competence	Having the right skills and standards in place
Communication	Raising awareness, deterring fraudsters sharing information and celebrating success
Collaboration	Working together across internal and external boundaries with colleagues and other agencies, sharing resources, information skills and learning

5.3 The Council will seek to fulfil its responsibility to reduce fraud as follows:-

The Council will ensure there are robust arrangements and executive support to ensure antifraud, bribery and corruption measures are embedded throughout the organisation.

The internal arrangements that are put in place (Strategies, policies etc) will be communicated throughout the organisation and be publicly available to demonstrate the culture and commitment to preventing fraud.

The Counter Fraud and Corruption Policy and Strategy applies to all aspects of the Council's business. It will be communicated throughout the Council and acknowledged by those charged with governance (CMT, Audit Committee, Executive).

An annual counter fraud action plan will be agreed by Corporate Management Team and the Audit Committee, reflecting the resources available. The plan will cover all areas of the Council's business and may include activities undertaken by contractors and other third parties. The plan will include proactive counter fraud work informed through the fraud risk assessment process.

The Council will produce two reports a year for CMT and the Audit Committee. These include:-

- Details of the activity undertaken during the year including outcomes and successes.
- Effectiveness of the arrangements put in place to prevent and detect fraud and corruption.
- Progress made on actions within the Counter Fraud Action Plan.
- Advice / guidance provided concerning fraud prevention measures.

The Council will participate in County wide (and other) partnerships and work with DWP/SFIS, Lincolnshire County Council, Lincolnshire Districts and other bodies, sharing information, skills and resources with the aim of preventing and detecting fraud. In doing this the Council may share data across its own Directorates and between other agencies, in line with data protection laws.

Where there are counter fraud activities conducted collaboratively or where there is sharing of fraud resources, these arrangements will be set out in appropriate agreements in terms of the arrangements and responsibilities.

To help evaluate the experience of fraud and effectiveness of fraud risk management the council will participate in comparative or benchmarking activities (e.g. CIPFA).

Acknowledge - In order to create an appropriate counter fraud response the Council must acknowledge and understand its fraud risks. It then commits the right support and appropriate resource to tackle fraud.

The Council will assess and understand its key fraud risks. The risks of fraud and corruption are considered as part of the Council's overall risk management strategy.

We will communicate the risks to those charged with Governance, including the Corporate management team and the Audit Committee

The risk assessment process will ensure a proper assessment of its fraud and corruption risks, and this will feed into the fraud risk register and fraud and corruption action plan (the fraud response) to deal with them.

Mitigation actions which are relevant to reduce the risk level are included within the register. These include internal control measures which will be used to prevent fraud occurring or aid early detection.

Fraud loss estimates (local and national) are used to help assess the risk of fraud where these are available.

The fraud risk register will be reviewed and monitored by CMT and Audit Committee (at least annually) including actions. Detailed monitoring will take place by the CFO and AD group. This will include monitoring any actions in response to the risks of fraud and corruption.

Fraud risk assessment will be undertaken for significant new operations or changes in processes.

Where there are significant or increasing fraud risks these will be brought to the attention of management.

Service Managers will escalate fraud risk concerns to their Assistant Director and CFO where appropriate and discuss mitigation.

The Council acknowledges that it must respond to ever increasing and sophisticated threats. Some examples include housing benefit/ council tax support, tenancy fraud, council tax fraud, cyber fraud.

This strategy recognises the increase in Economic crime which refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This can include fraud against the individual, private sector and public sector, terrorist financing, sanctions contravention, market abuse, corruption and bribery, the laundering of proceeds of all crimes.

Prevent - It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event. This is key to developing a more effective anti-fraud culture.

The Council will make the best use of information and technology to help prevent and detect fraud. This will include data analytics, data matching, cross checking records, identity checks and other document checking processes.

Fraud controls and processes where possible will be enhanced. This is an ongoing process and is also part of the fraud risk register review alongside other review work.

The Council will set in place controls as much as possible to prevent fraudsters from accessing services.

Audit and other staff will continue to be consulted to review fraud arrangements/ considerations within new policies, strategies and initiatives across departments.

Internal audit, management and third parties will carry out work in high risk areas to reduce the potential for fraud.

Internally some key areas of prevention include:

- monitoring compliance with standards of conduct across the local authority covering codes of conduct including behaviour for counter fraud, anti-bribery and corruption, register of interests, register of gifts and hospitality. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked and reported to committee.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking appropriate checks

There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon. These arrangements ensure that staff and the public have access to fraud and corruption whistle-blowing communications channels such as a helpline and are kept under review.

Contractors and third parties will be sign-posted to the whistleblowing policy. There is no discrimination against whistle-blowers.

<p>Pursue - The Council will prioritise fraud recovery and the use of civil sanctions / penalties where appropriate. Asset recovery and civil recovery are considered.</p>	<p>The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal, criminal and disciplinary action where appropriate. Sanctions and redress will vary between fraud risk areas and respective policies.</p> <p>A crucial element of the response to tackling fraud is recovering any assets or money lost through fraud – this is an important part of our strategy and will be rigorously pursued where appropriate.</p> <p>The Council will recover expenses incurred in the cost of the investigation as well as any direct loss.</p> <p>The Council will develop capability and capacity to investigate and pursue/punish fraudsters both in-house and through external specialist support.</p> <p>All allegations of fraud and corruption are risk assessed as part of the response. See the Fraud Response document Appendix A.</p> <p>Where the Council is subject to fraud a lessons learned/closing the gaps review will be undertaken. Weaknesses revealed will be scrutinised carefully and fed back to fraud-proof systems. The Council will also learn lessons from others that have been subject to fraud.</p> <p>Successful cases of proven fraud/corruption will be publicised internally and externally to raise awareness.</p> <p>The Council will collaborate across geographical and sectoral boundaries, with local law enforcement and with suppliers and external organisations to develop a collaborative and supportive approach to sanctions.</p> <p>The Council will actively review where there is a “business case” to invest in counter fraud activity – in order to generate savings by preventing and recovering losses.</p>
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Protect – The Council recognises the harm caused to the community and the Council from fraud.	<p>The Council recognises the risks of fraud and corruption to victims and the local community.</p> <p>This includes protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.</p> <p>The Council undertakes initiatives locally and will work with partners to reduce the risks to the local community. For example, the Council is part of the “Friends against scams” initiative and works with Lincolnshire County Council and other Lincolnshire District Councils.</p> <p>For the Council this will also cover protecting public funds, protecting the organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across all the pillars of this strategy.</p> <p>There is an information governance group in place which has an active programme of work which includes cyber security.</p>
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6. Counter Fraud Strategy Roles

The Chief Executive

- Ensures the right tone from the top
- Ensures that the authority is measuring itself against best practice
- Ensures there is trained counter fraud resource in the organisation or the council access to one
- Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption

Corporate Management Team (CMT)

- Collectively own and support the Counter fraud policy/strategy
- Have a responsibility to help improve awareness and promote appropriate behaviours.
- Will review the fraud risk register alongside the strategic risk register at least annually or on a six monthly basis (by exception).
- Will periodically review fraud outcomes, fraud work plan and resources.
- Will review and approve any changes to the Counter fraud policy/strategy.

Assistant Directors, Managers, Team Leaders

- Assistant Directors will monitor the policy/strategy, fraud risk register (annually or six monthly), and action plan with the CFO.

Assistant Directors and Service managers:-

- Will promote staff awareness, refer all suspected fraud and apply the policy of zero tolerance.
- Will assess the risk of fraud, corruption and theft in their service areas, help maintain the corporate fraud risk register, and reduce these risks by implementing strong internal controls.
- Take ownership of actions within their service area.
- Manage officers with responsibility for counter fraud activity, as part of regular service-based activity or specific projects.

The Section 151 officer/CFO

- Will be the accountable person to lead the organisation's approach and implement the policy.
- Ensure Members, Audit Committee and Portfolio leads are aware of counter fraud activity and counter fraud training is available to them.
- Work closely with the Chief Executive, CMT and Assistant Directors, City Solicitor as well as Internal Audit and partners to ensure the Council has adequately resourced and effective counter fraud arrangements.
- Monitor the risk register and fraud work plan with the Assistant Director group
- Assess resources and capability, including internal audit and other service areas where there is a counter fraud response.
- Make sure appropriate officers have unhindered access to employees, information and other sources as required for investigation purposes.
- Ensure a Portfolio Holder has counter-fraud within their remit.
- Ensure activity is reported upon, including success and future plans.
- Confirm that officers are independent of process, as far as possible.
- Enable working with other colleagues / Lincolnshire County Council to horizon scan future fraud risks.

Internal Audit

- Assist in the development and implementation of the Counter Fraud Policy, Strategy and fraud risk assessment.
- Investigate cases of suspected fraud where appropriate.
- Consider fraud risk and make recommendations to improve controls and reduce the risk of fraud in the future.
- Participate in counter fraud partnerships.

- Liaise with external agencies for advice and guidance e.g. Lincolnshire County Council Fraud Team.
- Review whistleblowing communications, alongside statutory officers and the HR Manager

The Monitoring Officer

- Advise Councillors and Officers on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice.
- Adopt responsibilities set out in relevant counter fraud policies.
- Liaise with officers responsible for Counter fraud delivery

The Audit Committee

- Receive a report twice a year on the counter fraud activity which includes proactive and reactive work and how resources are being allocated.
- Receive a report annually on the fraud risk assessment.
- Support proactive counter fraud activity as included within their terms of reference. Provide challenge to the level of activity to ensure it is appropriate in terms of fraud risk and resources.
- Monitor the Council's counter fraud and corruption policies / strategies.
- Consider the effectiveness of the whistle blowing and counter fraud and corruption arrangements including reviewing and monitoring the counter fraud work plan and actions.

The Portfolio Lead

- Receives a briefing as part of the regular portfolio holder meetings including incidents, work completed, policy updates and any resource issues.

Human Resources

- Responsible for providing advice in cases involving disciplinary investigations and disciplinary action.

Ethics and Engagement Committee

- Promote and ensure that high standards of conduct are maintained by elected Members and coopted Members

All Councillors

- To support and promote the development of a strong counter fraud culture

- To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, theft and to report any genuine concerns.

External Audit

- Review the authority's arrangements to prevent and detect fraud and corruption and seek appropriate assurances

All Employees

- Comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, theft and to report any genuine concerns

7. Resources

- 7.1 The Council assesses the risks (and potential future risks) and commits proportionately the right level of support and resources. This annual assessment includes the understanding of the harm that fraud may do in the community (see the Protect strand to this strategy).
- 7.2 Not every local authority requires a large team; the Council assesses the current fraud risk levels and tailors the action plan accordingly. This includes access to resources with the right capabilities and skills. This could be existing staff, bought in resource, or a mix of the two.
- 7.3 The Audit Manager has registered with the FFCL Knowledge Hub, so has access to directories and other tools.
- 7.4 Where appropriate staff will be professionally trained and accredited, or this resource will be bought in. The Council has access through partnerships, other local authorities, or funds to buy in specialist staff for example surveillance, computer forensics, asset recovery, financial investigations. Officers involved within Counter fraud activity have adequate knowledge and skills.

Resources are already used to:-

- Facilitate the CoLC/DWP/SFIS partnerships
- Manage and investigate NFI cases
- Deliver linked projects / Fraud action plan
- Implementing the tenancy fraud strategy
- Assessing and managing fraud risks
- Investigating fraud cases
- Receive and monitor whistleblowing cases

- Develop and deliver fraud training
- Receive and communicate current fraud risks/threats

8. Training

- 8.1 It is important to have the right skills and standards to address the fraud risks identified and to investigate and conduct investigations. The work plan will identify any skills training required. There are resource limitations (for example accredited investigators) and options will need to be considered where they are required.
- 8.2 We recognise that general fraud awareness training is appropriate for all staff and members and will be delivered. Counter fraud awareness is part of the wider training requirements covering ethical conduct.

9. Compliance With Legislation, Regulation, Procedures

- 9.1 All relevant legislation and other requirements will be adhered to as part of any counter fraud work

This will include:

- Data matching
 - NFI
 - Information sharing
 - RIPA
- 9.2 When undertaking data matching appropriate data protection notices, data sharing protocols and impact assessments are put in place in accordance with agreed protocols.
- 9.3 Investigations will comply with appropriate regulations and procedures.

10. Outcomes

- 10.1 Investigation itself does not represent the outcomes of counter fraud work. We recognise that by preventing fraud we will reduce losses and the delivery of our counter fraud work plan will improve overall outcomes and achieve the aims and objectives of the policy. We will measure the effectiveness of our counter fraud arrangements by focussing on such outcomes as;
- Delivery of pro-active counter fraud work (the action plan)
 - Ensuring high levels of fraud awareness (internally and externally)

- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Successful engagement with partners

10.2 We will monitor these outcomes and will include within the update reports.

11. Risks To The Policy/Strategy

- 11.1 There is limited capacity in the organisation in some areas to support counter fraud activities due to the focus being on other priorities, such as maintaining key services and meeting budget savings.
- 11.2 Investigators have transferred to DWP – SFIS and there are limited budgets to train staff post SFIS. Some authorities retained skilled investigators and we will work with local partners to make the best use of our combined resources. Where there are opportunities for additional funding, this may be directed at training and / or new resources to investigate fraud.
- 11.3 By updating the fraud risk register, developing a new work plans and seeking support of partners, the Council aims to maintain focus on counter fraud. The Council has in the past been successful with partners in securing dedicated one– off fraud related funds and will continue to seek additional funding when and if it becomes available.
- 11.4 Other risk areas include lack of incentives, data sharing, information sharing risks and powers.

Appendix A - Fraud Response

1. Referral and Investigation

- 1.1 Note that there are separate response processes and policy linked to the fraud response for housing benefit, council tax support, tenancy fraud etc.
- 1.2 In accordance with its objective of deterring fraud and dishonesty, the Council will pursue any remedies at its disposal, including prosecuting and recovering its losses from those responsible, and (in the case of employees) taking disciplinary action.
- 1.3 Where there are fraud concerns identified (or reasonable grounds for believing that a criminal offence has been committed), whether by a Councillor, employee or member of the public, the matter will (usually) initially be investigated and assessed by the Council's Internal Audit Section. If there is insufficient evidence to proceed a record of the decision will be made and appropriate feedback provided to the referrer. The fraud response flowchart is attached at Annex A
- 1.4 Where there is believed to be sufficient evidence to proceed, a strategy meeting will be held with the Chief Finance Officer, the relevant Director (or Assistant Director), City Solicitor or Legal Services Manager, Human Resources Manager. Consultation will of course depend on the nature and scope of the case. Internal Audit will present its findings.
- 1.5 The purpose of the strategy meeting will be to identify the type of investigation required:
 - a) Management investigation
 - b) Internal Audit investigation
 - c) Police investigation
- 1.6 Officers will be clear, open, consistent and action taken will be proportionate. When deciding whether to refer a matter to the Police, or consider other sanctions, officers will make a decision at the most appropriate time using the best available information. It is possible that a Management or Audit investigation could run concurrently with a Police investigation.
- 1.7 Where the fraud is proven the matter will be taken forward by the Police for prosecution.
- 1.8 Where the fraud is proven there will be a management decision whether to try and recover losses, and whether disciplinary action is appropriate.

- 1.9 Where matters are referred to the Police, Council officers having any involvement in it will be expected to give the police their full co-operation, and must take care not to do anything to prejudice the investigation.
- 1.10 On completion of their investigations, the Police and/or the Crown Prosecution Service will decide whether or not to prosecute, having regard to the Code for Crown Prosecutors.
- 1.11 The Code lays down a two stage test. The first stage is to consider whether there is sufficient evidence to prove the offence beyond reasonable doubt. The second stage is to consider whether a prosecution would be in the public interest.

2. Recovery of Losses

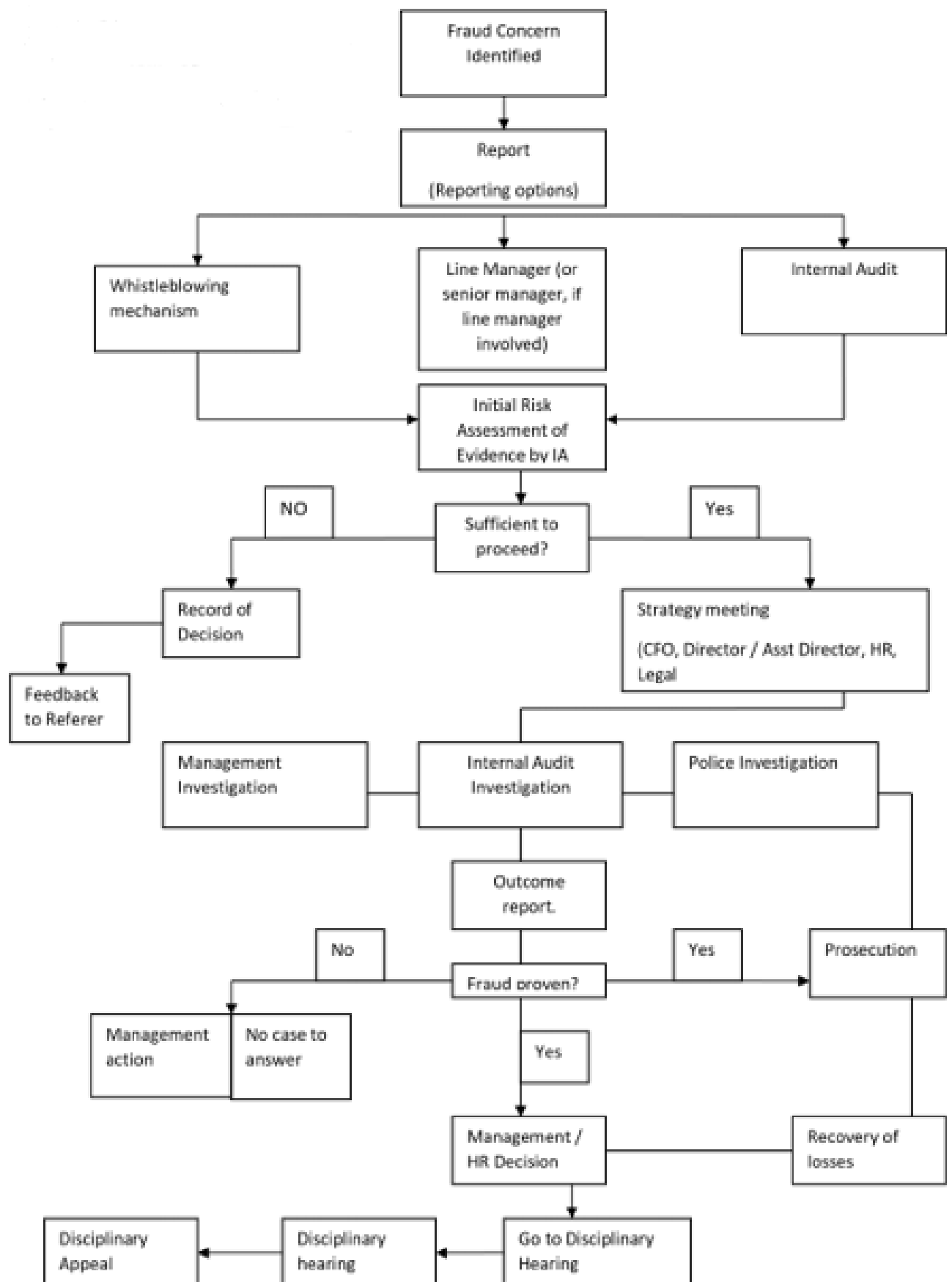
- 2.1 Wherever possible, the Council will take any steps it can to recover any losses resulting from fraud or dishonesty from those responsible. This may include asking the Police to apply for a compensation order, where the person responsible is prosecuted, taking proceedings in the civil courts, deducting any losses from sums owing to the person responsible, so far as the law allows. Investigation costs may be added.
- 2.2 We will recover any overpayments in relation to employees.

3. Good practice:

Don't delay – report the matter quickly	Do – write down your suspicions
Don't alert, approach or accuse individuals	Do – keep any evidence safe
Don't tell other people about your concerns	Do – tell us who you are
Don't – investigate yourself	Do – keep calm

Further details and information of safeguarding your confidentiality can be found in the Council's whistle blowing policy

Annex A- Fraud Response Flowchart



Appendix B - Definitions

What is Fraud?

The Fraud Act 2006 details the legal definitions of fraud and is used for the criminal prosecution of fraud offences. The Council also deals with fraud in non-criminal disciplinary matters.

Fraud is a deception which is deliberate and intended to provide a direct or indirect personal gain. The term “fraud” can include criminal deception, forgery, blackmail, corruption, theft conspiracy or the covering up of material facts and collusion. By using deception a fraudster can obtain an advantage, avoid an obligation or cause loss to another party. The Fraud Act 2006 has the following criminal offences:

- False representation
- Failure to disclose information
- Abuse of position
- Obtaining services dishonestly and of possessing,
- Making and supplying articles for use in fraud

What is Corruption?

Corruption is the offering or acceptance of inducements for direct or indirect personal gain designed to influence official action or decision making. These inducements can take many forms.

What is Bribery?

The Bribery Act 2010 reforms the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad.

Bribery - ‘the offering, promising, giving, soliciting, agreement to accept or acceptance of a financial or other advantage which may induce or reward a person to perform improperly a relevant function under ‘The Bribery Act 2010.’

Bribery Act Offences

The Act creates the following offences relevant to the Council:

- Offences of bribing another person,
- Offences relating to being bribed; and
- Offences relating to the bribery of foreign public officials.

See the Councils separate Anti-bribery policy

What is Theft?

Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles and data. A person is guilty of theft if he or she dishonestly takes property belonging to someone else and has no intention of returning it. Theft does not necessarily require fraud to be committed.

What is Money Laundering?

Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back. Detailed guidance is set out in the Council's Anti-Money Laundering Policy.



Appendix C – Further Information

Information on counter fraud and policies is available on the Council's website and Net Consent.

Crime Prevention Organisations and Partnerships:-

National Crime Agency (NCA) (<https://www.nationalcrimeagency.gov.uk/>)

Leads work against serious and organised crime. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams to local forces tackling the threat from serious and organised crime in their region. Organised crime can affect local authorities including money laundering, identity crime, intellectual property crime and theft of assets.

Action fraud (<https://www.actionfraud.police.uk/>)

Is the UK's national central reporting centre for fraud and cyber crime. Action fraud is run by the City of London Police.

Local Police liaison (<https://www.lincs.police.uk/>)

There are regular local Police liaison meetings between senior Council officers and senior Police Officers. There are links to the local economic crime unit.

Safer Lincolnshire Partnership (<https://www.lincolnshire.gov.uk/crime-prevention/safer-lincolnshire-partnership>)

The Safer Lincolnshire Partnership is the single multi-agency forum for addressing community safety issues across Lincolnshire.

The Safer Lincolnshire Partnership aims to:

- Reduce crime and disorder and increase the safety of individuals and communities across Lincolnshire
- Ensure those living, working or visiting Lincolnshire feel safe and are equipped to cope with any hazards or threats they may encounter
- Improve communication, coordination and cooperation between agencies allowing them to work together more efficiently and effectively

Lincolnshire Counter Fraud Partnership

Partnerships covering the Councils of Lincolnshire to deliver joint projects and provide local support to counter fraud.

Citizens Advice (<https://www.citizensadvicelincolandlindsey.org.uk/>)

How you report the scam to Citizens Advice depends on the type of scam it is. Victims of fraud can receive support from Victim Lincs at their website [Victim Lincs](#).

Single Fraud Investigation Service (SFIS)

(<https://www.gov.uk/government/publications/single-fraud-investigation-service>)

The Single Fraud Investigation Service (SFIS) is a partnership between DWP Fraud

Investigation Service, HMRC and local authorities.

National Anti-fraud Fraud Network (NAFN) (<https://www.nafn.gov.uk/>)

NAFN Data and Intelligence Services are a public sector organisation which exists to support members in protecting the public interest. They are one of the largest shared services in the country. The aim is to be the most effective and efficient point of contact through which members can acquire data, intelligence and knowledge to support their investigations, protecting the public purse and safeguarding the community.

National Investigation Service (NATIS) (<https://www.natis.police.uk/>)

Tackling serious organised crime, bribery and corruption affecting the public sector in the United Kingdom.

Friends Against Scams (<https://www.norfolk.gov.uk/friendsagainstscams>)

Friends Against Scams is a national Trading Standards training programme. Anyone can undertake the training which includes scam awareness advice, information on how scams target people as well as spotting possible victims in the community.

Counter Fraud Good Practice:

Cifas is the current secretariat for Fighting Fraud and Corruption Locally (FFCL)
<https://www.cifas.org.uk/>

CIPFA's Counter Fraud and Corruption Tracker (CFaCT) survey is the annual survey of the fraud and corruption detected in local authorities across the UK. It gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fraud-and-corruption-tracker>

The Transparency Code/ data

DCLG published the transparency code to strengthen transparency within local government. The Code legally requires local authorities to publish annually details of their counter fraud work. Key areas cover employees, amount spend and number of fraud cases. <https://www.gov.uk/government/publications/local-government-transparency-code-2015>

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AUDIT COMMITTEE**15 JULY 2024**

SUBJECT: ADDRESSING THE LOCAL AUDIT BACKLOG IN ENGLAND

REPORT BY: CHIEF EXECUTIVE & TOWN CLERK

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To provide the Audit Committee with a summary of the recent consultation undertaken by the Department for Levelling Up, Housing and Communities (DLUHC) for addressing the Local Audit Backlog in England.

2. Background

- 2.1 Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework.
- 2.2 The issues facing local audit are widely recognised as multi-faceted and complex. They also impact different sectors, not just local government. It is widely recognised that audits have become more challenging in a changing regulatory environment. In addition, pressures on the system were compounded during the COVID-19 pandemic.
- 2.3 In July 2023, the Minister for Local Government published a cross system statement setting out proposals to tackle the local audit backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.
- 2.4 On 8 February 2024, DLUHC issued a consultation and joint statement on proposals to clear the audit backlog for English councils. The joint statement included recommendations from DLUHC, the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and the Public Sector Audit Appointments (PSAA). At the time of preparing this report, the outcome of the consultation is still awaited.
- 2.5 As a reminder, the audit of the Council’s Statement of Accounts, for 2021/22 and 2022/23, was concluded in December 2023.

3. Addressing the Local Audit Backlog

- 3.1 To clear the backlog of historical accounts and ‘reset’ the system, DLUHC propose to implement a series of dates in law (the “backstop date”) by which point local bodies would publish audited accounts for all outstanding years.
- 3.2 The package of measures proposed comprises of the following:

- DLUHC's amendments to the Accounts and Audit Regulations including a joint statement providing context and explanation of the proposals and how their various elements are intended to interact;
- NAO amendments the Code of Audit Practice;
- CIPFA LASAAC temporary changes to the Accounting Code to reduce burdens on those who prepare and audit local body accounts.

3.3 The proposed measures consist of three phases:

- Phase 1: Reset - legislating for a statutory backstop date for the publication of audited financial statements up to and including financial year 2022/23. Auditors should issue opinions based on the work they have completed by the backstop date – which may lead to a modified or qualified opinion – and are expected to prioritise to ensure that their audit work provides as much assurance as possible ahead of the date;
- Phase 2: Recovery- a series of statutory backstop dates covering the financial years 2023/24 to 2027/28 to allow auditors to rebuild assurance over a five-year period of local bodies' financial information, which has been subject to modified opinion as part of the reset. To reduce burdens on preparers and auditors, CIPFA will make temporary changes to the Code of practice on Local Authority Reporting;
- Phase 3: Reform - the FRC, alongside DLUHC and other system partners, will continue to work to address systemic challenges in the local audit system and embed timely financial reporting and audit.

3.4 Phase 1: Reset

The key elements within this phase are as follows:

- The backstop dates will be deadlines by which authorities must publish audited accounts, and auditors would be required to issue an opinion based on the work they have been able to complete to enable authorities to meet the publication deadline. The date for accounts up to 2022/23 is 30 September 2024.
- Auditors will be required to publish an opinion based on completed work as at the backstop date and this opinion can be either unmodified, modified (qualified or adverse) or disclaimed.
- System partners will provide clear explanations of what the different types of audit opinions mean, especially to clarify that modified/disclaimed opinions attributable to the backstop date do not necessarily indicate significant financial reporting or financial management issues in the audited body.
- Reporting on VFM arrangements will remain a high priority, focussing on enabling auditors to produce a single commentary on VFM arrangements covering all outstanding periods for 2022/23 and earlier years.
- There are expected to very limited exemptions (if any) for either authorities or auditors.

- The Government indicate an intention to publish a list of local bodies and their auditors which do not meet the backstop date.

3.5 There do not appear to be any minimum expectations for the work that auditors would need to carry out at individual authorities, so that there would be a minimum level of assurance provided by the auditor. The Joint Statement promises an expectation that auditors will complete as much audit work as possible by the backstop date. The promise is also made that the NAO, working with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

3.6 Phase 2: Recovery

The acknowledged problem of the Reset phase is that for, authorities impacted by the backstop, auditors will not have the assurance from closing balances that would normally support opening balances for 2023/24. Auditors will therefore need to perform sufficient testing on opening balances to rebuild assurance.

3.7 To prevent this recovery work causing delays to future audits, further backstop dates for all years up to and including 2027/28, in consideration that recovery work may take a number of years as modified opinions/disclaimers are rolled forward. The backstop dates within the Recovery phase are as follows:

Financial Year	Publication Date
2023/24	31 May 2025
2024/25	31 March 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

3.8 For Value for Money (VFM) the Audit Code will identify that auditor's Annual Report is issued in draft to those charged with governance by 30 November each year (from 2023/24 onwards), irrespective of the position on the audit. This will enable auditors to report the majority of the VFM arrangements work on a timely basis.

3.9 Phase 3: Reform

At this stage there are no firm proposals put forward for Phase 3, but commitments are made in the following areas:

- The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows;
- CIPFA LASAAC's has a workstream looking at long-term reforms to financial reporting based on the needs of accounts users;
- HM Treasury will shortly be setting out the outcome of the thematic review into the valuation of non-investment assets;
- the FRC intends to publish its Local Audit Workforce Strategy during 2024, including plans to increase the supply of suitably skilled auditors, including changes to Key Audit Partner requirements;
- the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA;

- CIPFA and the Local Government Association are working on a workforce strategy for local government finance teams.

3.10 Current position

As a result of the General Election being called, it is now unlikely that a statutory publication deadline for any outstanding audits will be in place before the first deadline of 30 September 2024.

- 3.11 The National Audit Office have recently issued a supplementary guidance note, stating that proposed changes to the code of audit practice, such as the introductions of statutory public deadlines for accounts cannot be processed until a new Parliament is formed. The guidance note stated that “until the new government has a policy position on the future of local audit in England it is not possible to provide any further clarity to auditors on next steps. It then went on to state that “auditors should continue to follow the current code of audit practice. Where auditors are planning to complete audits, they should continue to make every effort to do so and as soon as possible”.

4. **Implications for the Council**

- 4.1 At this stage the Council is in a more favourable position compared to many other authorities as all financial accounts up to and including 2022/23 have been completed by external audit and it has received a positive value for money statement up to 2022/23. As such the Council is not affected by any of the measures to be implemented as part of phase 1.
- 4.2 In relation to phase 2, there could be implications for the Council for the 2023/24 statement of accounts onwards. At this stage the draft Audit Plan issued by KPMG proposes that the audit for 2023/24 will be completed by September 2024. This could however change once the audit commences.

5. **Strategic Priorities**

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

6. **Organisational Impacts**

- 6.1 Finance – There are no direct financial implications arising as a result of this report. The external audit process provides an independent source of assurance and form a key element of the checks and balances within the local accountability framework. Part of the role of the external auditor is to provide an assessment of the arrangements that a local authority has put in place to secure economy, efficiency and effectiveness in its use.
- 6.2 Legal including Procurement Rules - The addressing the local audit backlog in England: consultation proposals seek to amend the Accounts and Audit (England) Regulations 2015, via a series of dates (the “backstop date”) by which point local bodies would publish audited accounts for all outstanding years.

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 this report there are no direct equality, diversity or human rights implications,

7. Risk Implications

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

8. Recommendation

8.1 Audit Committee are asked to note the Addressing the Local Audit Backlog in England consultation and the potential implications for the Council.

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

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AUDIT COMMITTEE**15 JULY 2024**

SUBJECT: STATEMENT OF ACCOUNTS 2023/24

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 To present the Statement of Accounts for the financial year ended 31 March 2024, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

2. Executive Summary

- 2.1 The Statement of Accounts (SOA) for 2023/24 provide a comprehensive picture of the Council's financial circumstances and are compiled to demonstrate probity and stewardship of public funds.
- 2.2 The Council is statutorily required to publish its draft Statement of Accounts for 2023/24 by 31 May 2024 with an audit opinion and certificate by no later than 30 September 2024.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2023/24 are still subject to external audit. The audit of the accounts is being undertaken by KPMG, who will commence the audit in July. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts are presented for approval.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from KPMG, this runs from 3 June until 14 June 2024 and the External Auditor is available to answer questions during this period.
- 2.5 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement AGS), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2023/24 was substantial (green) and is in line with the Council's Code of Corporate Governance. There were no significant governance issues that were identified for inclusion in the 2023/24 AGS.

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 May each year. The Accounts are then released to be audited by the Council's external auditor, KPMG. After completion of the audit the accounts must be published with the

audit opinion and certificate, and before that must have been approved by Full Council, by no later than 31 July each year. However, amended Regulations published in 2022 have extended this date to 30 September for a period of 6 years i.e. up to 2027/28. The timescales involved with the approval of the Statement of Accounts for 2023/24 are therefore as follows:

- | | |
|---|-------------------|
| a) Report draft accounts to Audit Committee | 15 July 2024 |
| b) Report to Audit Committee | 23 September 2024 |
| c) Approval by Council | 24 September 2024 |

3.2 In order to ensure that the statutory deadline of 30 September is met KPMG 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 KPMG at that meeting.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. Training has been provided prior to this meeting to assist members in their understanding of the accounts and a short summary of the accounts will be produced to accompany the Final Statement of Accounts when it is presented to members in September. The remainder of this report sets out a summary, which highlights the key figures in the financial statements which it is hoped will prompt questions in order for the Council to promote greater accountability and transparency for the significant sums of public money entrusted to the Council.

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

4.1 **The Comprehensive Income and Expenditure Statement**

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (*SOA page 27*) – in line with statutory accounting practice the Comprehensive Income and Expenditure Statement (CIES) shows the Council's actual performance for the year measured in terms of the resources consumed and generated over the last 12 months. It should not be misinterpreted as the financial outturn position of the Council as this statement contains a number of accounting entries required under International Financial Reporting Standards (IFRS). Regulation allows local authorities to reverse these amounts out of the accounts before determining their outturn position. There is a note to the accounts (*Expenditure & Funding Analysis (SOA page 57)*) that adjusts the expenditure that is chargeable to general fund and the HRA balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £15.870m in the CIES to the outturn position of an increase in General Fund Balances (including earmarked reserves) of £0.600m and an increase on HRA balances (including earmarked reserves) of £1.039m as reported in the Financial Outturn report (Executive 3 June 2024).

	£m	£m
Net surplus/(deficit) on the Provision of Services		15.870
<i>Of which:</i>		
General Fund	£m	£m
Net surplus/(deficit) on the Provision of Services		3.845
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	3.109	
Revenue expenditure funded from capital under Statute	3.807	
Direct Revenue financing of capital expenditure	(3.394)	
Gain/loss on the sale of non-current assets	(0.150)	
Contribution to/from the pensions reserve	(0.938)	
Debt repayment and premiums & discounts on debt	(0.867)	
Short-term compensated absences	0.037	
Contribution to Government's Housing Capital Receipts Pool	0	
Capital grants & contributions credited to CI&ES	(5.407)	
Adjustment for Collection Fund	0.558	
Adjustment for Financial Instruments	0	
Total Adjustments		(3.245)
(Increase)/decrease in General Fund Balances/Reserves		0.600
<i>Of which:</i>		
HRA	£m	£m
Net surplus/(deficit) on the Provision of Services		12.025
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	1.461	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	(0.218)	
Contribution to/from the pensions reserve	(0.651)	
Short-term compensated absences	(0.009)	
Capital grants & contributions credited to CI&ES	(0.817)	
Transfer to/from the MRR	(10.752)	
Total Adjustments		(10.986)
(Increase)/decrease in HRA Balances/Reserves		1.039
Overall (Increase)/decrease in Balances/Reserves		1.639

- 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 2023/24, in comparison to the revised budget for the year. The General Fund is reporting a provisional outturn of an overall budget deficit of £0.175m, resulting in General Fund balances (including earmarked reserves) of £11.525m as at 31 March 2024.
- 4.1.3 The Housing Revenue Account is reporting a provisional overspend against the revised budget of £0.053m, resulting in HRA balances (including earmarked reserves) of £7.797m as at 31 March 2024.

- 4.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (SOA page 3) and were subject to a separate report to Performance Scrutiny Committee and Executive on the 23 May 2024 and 3 June 2024 respectively.

4.2 The Balance Sheet (SOA page 28)

- 4.2.1 **The Balance Sheet** is fundamental to understanding the Council's financial position at the year-end. It shows the Council's balances and reserves, long-term indebtedness, and the non-current and current assets employed in the Council's operations. The key information for members to be aware of in the Balance Sheet as at 31 March 2024 are:

- 4.2.2 **General Balances** – General balances have decreased by £0.227m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.415	2.245	(0.170)
HRA balances	1.189	1.132	(0.057)
Total	3.604	3.377	(0.227)

- 4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have increased by £1.866m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	14.072	15.938	1.866

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2023/24 Provisional outturn to the Executive 3 June 2024 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA page 67-69). The most significant movement in reserves relates to a contribution to the Business Rates volatility reserve. The reserve is used to smooth the impact of potential fluctuations in Business Rates income received by the Council from year to year - £1.2m has been appropriated into the reserve during 2023/24, arising from business rate surpluses and £481k was utilised as part of the final year the spreading of the impact of Covid19 business rate reliefs. In addition, £800k was contributed to the HRA Business Plan reserve for future priorities in line with the 30-Year Plan.

- 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 £38.550m exceed current liabilities of £32.043m by a ratio of 1.2:1, which represents a decrease from the previous year's ratio of 1.36:1. This is due to a reduction in short-term investments.

4.2.5 **Debtors** – debtors have increased by £3.664m to £20.209m. The increase is mainly due to increases in balances on the Central Government and County Council preceptor shares of the Council Tax Collection Fund, an increase in VAT repayments due from HMRC, and an increase in Housing Subsidy and Standard Rent Allowance grants.

4.2.6 **Creditors** – have increased by £1.573m to £27.827m. This is mainly due to grants being held with conditions to be met awaiting utilisation.

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 £11.5m (2.4%)** to £498m between 31 March 2023 and 31 March 2024 (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 has a full revaluation every 5 years as at the 31 March. In addition to this, all assets are reviewed for any material change in their value at the end of each financial year via a desktop review. The results for 23/24 have seen an **overall increase in value of £3.059m**, which is the net result of valuation gains and losses across a range of assets.
- **Additions - New capital investment in assets belonging to the Council totalled £22.558m.** The main areas of expenditure include £6.980m spent on the Council's new build and acquisition programme, £7.307m improving Council dwellings including re-roofing, kitchens and landscaping, Central Market Improvements £3.321m and Town Fund schemes £1.331m. To pay for this investment, the Council has used £6.042m of capital grants and contributions, £2.557m of capital receipts, £9.645m of the Major Repairs Reserve, £4.154m of unsupported borrowing, and £0.160m 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 2023/24 total depreciation was £10.475m** (£8.199m in relation to HRA dwellings and £2.277m relating to non HRA assets. £8.199m was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £1.744m in the Balance Sheet were disposed** of in 2023/24. This included 34 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 41 to the accounts – Defined Benefit Pension Schemes (*SOA page 103*). 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 £3.547m reflecting the retirement benefits earned during 2023/24 and to be funded in the future. This includes £3.156m current service costs, £0.138m admin expenses, £0.0m past service costs and a net interest cost on the defined benefit obligations of £0.253m. This net cost is reversed out in the Movement in Reserves Statement (MiRS) and is replaced by the actual amount charged for pension contributions in the year of £5.136m.
- **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 2023/24 the net liability has increased by £5.192m to £12.988m. The actuarial assumption changes are detailed in note 44 to the accounts 'Defined benefit pension scheme'. The main driver for the significant reduction in liability being a changes in financial assumptions, which take in

to account the discount rate (time value of money), linked to high quality bond yields, and the rate of future inflation.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £12.988m 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 32 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 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 March 2023 and 31 March 2024, the Council's total borrowing reduced to £107.742m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31 March 2024).
- The total borrowing can be split between short term borrowing (payable within 12 months) of £2.675m and long term borrowing of £105.067m.
- The average rate of interest payable on borrowing during the financial year was 3.21%, a slight increase on the previous year (2022/23 - 3.02%) due to repayment of lower rate loans during the year.
- The Comprehensive Income and Expenditure Statement for 2023/24 includes £3.639m interest payable on borrowing (excluding leases) of which £1.322m relates to the General Fund and £2.317m to the HRA.

The maturity profile of the outstanding borrowing as at 31 March 2024 is as follows:

Within	£m	% of Total Debt
1 year	2.675	2%
1 – 2 years	1.578	1%
2 – 5 years	7.073	7%
5 years +	96.416	89%
Total	107.742	100.00%

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

- As at 31 March 2024 the councils total investment balance was £17.543m, a reduction of £19.142m when compared with the balance at the previous year end (£36.685m).
- Average investment balance during 2023/24 was £36.319m, compared to £55.555m in 2022/23. The reduction in investment balance due repayment of borrowing using internal resources rather the reborrowing while interest rates are at the peak (forecast to reduce 24/25).
- The average interest rate received achieved on investments during 2023/24 was 5.11% (2.10% 22/23), an increase on the prior year due to the increases in the Bank of England base rate). The comparable performance indicator being the SONIA overnight average rate (4.96%).

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 2023/24.

5.2 Communication - The draft Statement of Accounts is available on the Council's website and the period of public inspection has been advertised. The completion of the audit of the Council's Statement of Accounts will be published on the Council website by 30th September 2024. The Statement of Accounts will also be made available on the website along with a summary version of the accounts.

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 September 2024.

6.3 Equality, Diversity and Human Rights

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

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

- Eliminate discrimination
- Advance equality of opportunity

- Foster good relations between different people when carrying out their activities

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

7. Risk Implications

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

8. Recommendation

8.1 The Audit Committee are invited to scrutinise and comment upon the draft Statement of Accounts.

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 2024-2029
Financial Performance - Outturn 2023/24

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**UNAUDITED
STATEMENT OF ACCOUNTS
FOR THE
YEAR ENDED 31 MARCH 2024**



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An introduction to the City of Lincoln's 2023/24 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 2023/24 and the financial position at 31 March 2024. The Accounts present expenditure and income incurred by the Council in the financial year 2023/24 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 2023/24 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 2024 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 KPMG 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 2023/24

The last few years have been very challenging, both for the Council and for the city, and we are extremely proud of all the Council has achieved during this time.

Like most councils we continue to face substantial funding pressures, the same economic hardship that affects individuals has a corresponding impact on the Council. Inflation makes everything more expensive, affecting; the cost of the day-to-day goods and services we buy; our pay bill; and the cost of construction and higher borrowing rates increase the cost of our capital schemes. The cost-of-living crisis has increased the demand for council services, especially the services delivered to the most vulnerable residents who look to the Council for support and rely on the safety net provided by local government. At the same time, we are struggling with

recruitment and retention challenges and coping with increases in our statutory duties. Against this backdrop of an increasing costs and rising demands, our funding levels remain below our needs, widening the gap between our spending requirements and level of resources available.

Although our budget for 2023/24 had been fundamentally reset to reflect our increased cost base, further unforeseen and unavoidable cost pressures have arisen during the year which have impacted on the assumptions that underpinned the budget. Despite these additional cost pressures, as result of maintaining our strong financial discipline and in part due to fortuitous investment income arising from a positive impact of current economic factors, and buoyant fees and charges income, both the General Fund and the Housing Revenue Account were able to have financial outturns for 2023/24 of small underspends. This has resulted in higher than budgeted contributions to general balances for both Funds.

Despite the cost and demand pressures we have faced during the year, we have continued to ensure that our limited resources are directed and used in support of our Vision 2025. During 2023/24, we have invested in local services and projects to support the City's economy, business and residents and, in addition, we have prioritised support for those feeling the effects of the cost-of-living crisis. We have continued to fully fund our Local Council Tax Support Scheme, distributed support from the Household Support Fund, Council Tax Support Fund Scheme, provided further support through our local Hardship Funds and have approved funding through the UK Shared Prosperity Fund for further support to residents. Further details of our achievements and performance during 2023/24 are set out below.

Although both the General Fund and Housing Revenue Account were able to respond to the emerging pressures during 2023/24, and maintain balanced budget positions, we will continue to face significant financial challenges as we move into 2024/25. We will build on our successful financial management to date, maintaining a vigilant watch on expenditure and income. The measures we have in place to manage our finances remain robust and continue to drive strong financial performance. Through constant forecasting and an ever present view of our service performance we continue to navigate the challenges of the cost of living crisis and the impacts of economic factors, to deliver value for money services for the people of Lincoln.

Performance

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

Vision 2025 was adopted by the Executive on 24th February 2020. As a result of the Covid-19 pandemic the Vision was repurposed to target the impacts of the pandemic and we focused on bolstering the City's economic recovery, supporting our most vulnerable people, and re-prioritising some of our Vision 2025 projects to focus on what was most important to our communities at that time.

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

- Reviewed and adopted an updated Central Lincolnshire Local Plan, which sets out our aims for the city's growth and development over the next 20 years.
- Commenced work to deliver the southern access road for Western Growth Corridor in the west of the city, connecting the development to Skellingthorpe Road. This is the most significant development within the city in decades, and will supply 3,200 much needed new homes, a leisure village, industrial park, and transport infrastructure. The southern access road will enable the delivery of an initial 300 new homes, subject to planning approval, and the overall Western Growth Corridor development will bring more than £500 million worth of investment into the city and deliver vital transport infrastructure.
- Completion of the renovation of Cornill Market, providing the environment for a strong, sustainable indoor and outdoor market offer in Lincoln.
- Adopted a Housing Revenue Account 30-year Business Plan, which will determine how the Council's housing stock will grow and adapt to changing housing needs and help deliver up to 1,700 affordable homes across the city.
- Commencement of the development of 11 new homes at Hermit Street, repurposing an underused garage site to deliver a mix of affordable one, two, and three-bedroom homes.
- Developed a masterplan to deliver 300 – 400 affordable homes at Queen Elizabeth Road.
- Achieved an EPC rating of C or above for over 80% of council homes, aiming for 100% by 2030.
- Set up a Downsizing Initiative, seeking to help tenants who have spare bedrooms move to smaller properties, freeing up larger homes for families on the Housing Register.
- Continued regeneration of the city's Heritage Action Zone, which aims to maintain, protect and restore city centre shop fronts, historical buildings and heritage sites at risk, together with a public engagement strand based around cultural activity.
- Further progressed the re-imaging of Greyfriars using National Heritage Lottery funding.
- Further progressed works to bring properties on Michaelgate back into use, working in partnership with Heritage Trust Lincolnshire.
- Commenced a range of projects delivered under the Town Deal funding work programme, including Lincoln Made Smarter and Lincoln Connected aimed at transforming Lincoln into a Digital City.
- Continued to let managed workspaces at Greetwell Place and The Terrace, providing a supportive environment for growth and development for the city's SME businesses.
- Supported the ongoing delivery of a range of regeneration projects using government's £19 million Town Deal funding, including a new cultural hub at the Barbican, a new visitor and educational facility at Greyfriars, a new business Hub at Lincoln Science and Innovation Park and improved public realm environment in the Sincil Bank area.
- Using UKSPF grants, set up a £300,000 'Community Chest' to fund community projects in all 11 city Wards.
- Continued to develop of a District Health and Wellbeing Strategy, focused on improving the health of residents across the city.
- Continued to be awarded Green Flag status, year on year, for Boultham and Hartsholme Parks and the Arboretum.
- Reprocurring grounds maintenance, waste collection and street cleansing contracts, reviewing how these vital services in the city are delivered and

ensuring the Council is ready for national changes that will overhaul how waste is collected and disposed of.

- Implementing Hope Wood on council-owned land near to Boultham Park, enhancing local biodiversity through thoughtful planting of thousands of trees and shrubs. This will be an accessible space for residents and visitors to enjoy for years to come.
- Following the difficult decision to cancel the Lincoln Christmas Market, launched a vibrant and diverse programme of events aimed at supporting the visitor economy and showcasing all this remarkable city has to offer.
- Supported the launch of 'Climate Hope Lincoln' to establish a stronger network across a range of individuals and organisation to coordinate climate campaigns and engagement across this city in an attempt to reach a wider audience.
- Extending the Council's work to eliminate single use plastics in the city centre by introducing requirements for Cornhill Market stall holders to not use single use plastics, and by installing a water fountain to encourage visitors to use refillable water bottles.
- Including restrictions on single use plastics in council contracts for events including the city-wide events programme and externally organised events such as the Lincoln 10k.
- Applying to the Sport England Swimming Pool Fund for funding to decarbonise the swimming pool at Yarborough Leisure Centre and deliver further capital investment to decarbonise public sector buildings in the city.
- Delivering the Sincil Bank Gateways and Greening project to improve cycling and walking opportunities.

The Council has also continued to help city recover from the longer terms impacts of Covid-19 pandemic and cost of living crisis, working hard to ensure support reaches those most in need. This includes:

- Through our Revenues and Benefits Team, distributed Household Support Fund financial support to our most vulnerable households in the city.
- Supported households to access food banks and the Lincoln Community Grocery.
- Provided vital welfare and benefits advice, via our Welfare Support Team.
- Significantly improved our housing voids performance, ensuring that council properties are refurbished and relet quickly and help people on our housing register into accommodation.
- Increased membership of our Social Responsibility Charter, with over 100 businesses now signed up.
- Continued to support local good causes through the Lincoln Community Lottery.

All of our achievements during 2023/24 should be set in the context of the significant difficulties in the recruitment and retention of staff currently being faced by local government, of which we are no exception. This creates capacity pressures in both operational services and in our support services. Whilst we have been able to continue to deliver against our priorities during 2023/24, some aspects of performance have been undoubtedly affected by our reduced resources. Work continues both on a national and local level to develop a range of responses to encourage both new entrants into the sector as well as retain the existing workforce.



Revenue Income and Expenditure

General Fund

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

For 2023/24, the approved net expenditure budget for General Fund services was £14,402,660 including a planned drawdown from reserves of £191,110.

As highlighted in the Financial Summary, 2023/24 has presented financial challenges for the Council and in particular the escalating cost of and demand for services. These cost pressures have been mitigated through strong financial control, but also through additional income earned and received.

In the main the key variances are predominately driven by the impact of external economic factors, these include:

- Nationally agreed pay inflation - the 2023/24 pay settlement, negotiated between the National Employers for Local Government Services and the Trade Unions agreed the higher of either, a flat rate increase of £1,925, or 3.5-3.8% to all employees, equivalent to a 9.4% increase for the lowest paid members of staff and with the majority of officers receiving pay rises above 5% for a second consecutive year.
- Reduced fees and charges income – 2023/24 continued to see a reduction in income from planning applications, land charges and building control as a result of pressures in the construction and housing market as the ongoing economic climate and cost-of-living crisis continue to impact on development within the City.
- Investment income – as a result of the higher Bank of England Base Rate the level of interest earned on the Council's cash balances has increased significantly, in the additional the average level of cash balances available for investment was also higher than anticipated. At present there has been a limited consequential impact on the cost of borrowing as all debt is at fixed rates and no new borrowing has been undertaken.
- Increased fees and charges income – car parking income has continued to perform strongly, significantly exceeding the budget target. This performance has been driven by increased visitors to the Council's car parks, with a number

of improvements made to increase their attractiveness and supported by the new Lincoln Events programme scheduled throughout the year

In terms of service delivery, during 2023/24 we have faced growing demands for some of our key services as those more vulnerable in the city look to the council for support as the cost-of-living crisis continues to impact on household incomes. This includes increased demand for; welfare advice; housing benefits; housing solutions, homelessness support, etc. Of particular challenge to the General Fund has been the cost of providing homelessness support, with escalating number of cases presenting. This increase in demand, coupled with a shortage of suitable accommodation has increased the use of temporary accommodation, and as such the cost to the Council. In addition, there has also been a considerable increase in relation to housing benefit claims for supported accommodation, increasing the cost borne by the Council that are not reimbursed through the housing subsidy system.

Despite the increase in General Fund's cost base, as result of the positive impacts of the economy on investment returns and the strong performance on car parking income and additional grant and external funding received, the outturn position for the General Fund for 2023/24 was positive with a small underspend. This underspend position includes additional contributions to a number of earmarked reserves in order to provide future resilience against a number of cost pressure risks that we are facing in future years.

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

	ACTUAL 2023/24 £'000	REVISED BUDGET 2023/24 £'000	VARIANCE 2023/24 £'000
Chief Executive and Town Clerk	7,437	6,904	533
Directorate of Housing & Regeneration	785	759	26
Directorate of Communities & Environment	4,383	4,407	(24)
Directorate of Major Developments	(1,580)	(1,460)	(120)
Corporate	123	6	117
Net Cost of Services	11,148	10,616	532
Drainage Rates	940	1,082	(142)
Financing and Investment Inc & Exp	(1,694)	(1,308)	(386)
Capital Expenditure	4,262	4,175	87
Appropriations	774	769	5
Savings Target/Contingencies	0	(41)	(41)
Total Council Expenditure	15,430	15,293	137
Business Rates Income	(6,917)	(6,807)	(110)
Non-specific Grant Income	(918)	(875)	(43)
Council Tax	(7,420)	(7,420)	0
Total Resources	(15,255)	(15,102)	(153)
(Surplus)/Deficit	175	191	(16)

The approved budget assumed a drawdown from general balances of £0.191m, compared with an actual drawdown from balances of £0.175m as a result of an in year surplus of £0.016m.

Included within the General Fund Budget was an assumed savings target of £0.185m, which was to be delivered in 2023/24 as part of the Council's Towards Financial Sustainability (TFS) Programme. The provisional outturn performance shows that secured savings total £0.248m. This results in an over-achievement of the target in 2023/24 by £0.062m. The TFS programme continues to be successful, and work continues in developing and delivering new projects as part of the programme to secure the additional savings required in 2024/25 and future years.

Although the General Fund maintained a balanced budget position in 2023/24 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 2024, the Council held £11.525m General Fund revenue reserves, comprising £9.280m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.245m non-earmarked general reserves. General Balances are currently in line with the prudently assessed minimum requirements in the Council's Medium-Term Financial Strategy, which providing resilience for financial challenges we face.



Housing Revenue Account

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

For 2023/24, the approved net operating budget for the Housing Revenue Account was set at £0.059m drawdown from balances. Actual net expenditure for 2023/24 was £0.053m deficit, resulting in a £0.006m variance against the budget.

In line with the General Fund, some of the key budget variances experienced by the HRA were predominantly driven by external economic factors e.g. pay inflation and investment income.

However, the HRA has also been impacted by other factors including increases in material and external labour prices. As is being experienced across the Council, the Housing Revenue Account has also continued to experience recruitment and retention challenges in relation to its craftworkers, increasing the reliance on external sub-contractors. This reliance on external labour comes at an additional cost to the HRA due to the ongoing impact of inflationary factors, a reduced national workforce and a reduced pool of contractors from which to secure services. There has, however, been some positive developments with the actions that have been taken with a number of the key vacancies being recruited to by the end of the financial year.

In addition, the HRA has experienced a rising demand for responsive housing repairs and aids and adaptations works, but with a reduction in the level of voids works undertaken as the voids backlog has now stabilised.

This combination of factors has led to a number of significant variances of both a positive and negative nature in the HRA, with overspends on the overall cost of repairs and maintenance, offset by higher than anticipated investment income, additional rental income and a write back from the bad debt provision based on the current level of arrears.

Overall, the net impact of these variances resulted in the outturn position for the HRA for 2023/24 being positive, with a small underspend. This underspend position includes additional contributions to a number of earmarked reserves in order to provide future resilience against a number of cost pressure risks that we are facing in future years.

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

	ACTUAL 2023/24 £'000	REVISED BUDGET 2023/24 £'000	VARIANCE 2023/24 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	11,239	10,834	405
Supervision & Management	9,366	8,891	475
Provisions (including Bad Debt)	(83)	250	(333)
Rents, Rates and Other Premises	777	846	(69)
Other Expenditure	291	339	(48)
Capital Financing	0	0	0
Sub Total Expenditure	21,590	21,160	430
<u>Income</u>			
Rents & Service Charges	(33,587)	(33,197)	(390)
Other Income	(1,038)	(780)	(258)
Sub Total Income	(34,625)	(33,977)	(648)
Net Cost of Service	(13,035)	(12,817)	(510)
Financing and Investment Inc & Exp	1,241	2,047	(806)
(Surplus)/Deficit on HRA	(11,794)	(10,770)	(1,024)
Appropriation to/(from) Major Repairs Reserves	10,751	10,749	2
Appropriations to/(from) Earmarked Reserves	1,096	79	1,017
Net HRA (Surplus)/Deficit	53	59	(6)

As at 31 March 2024, the Council held £7.790m HRA revenue reserves, comprising £6.658m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £1.132m non-earmarked general reserves.

Capital Expenditure

(Note 36)

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 £26.4m compared to the revised approved programme budget of £31.5m, representing an underspend of £5.1m against the profiled budget. The variance in 2023/24 is largely due to the re-profiling of externally managed schemes and construction delays within the general fund and housing capital programmes. The 2023/24 capital spending and funding position is summarised as follows:

	ACTUAL 2023/24 £'000	REVISED BUDGET 2023/24 £'000	VARIANCE 2023/24 £'000
Capital Expenditure			
General Fund	11,632	15,333	(3,701)
Housing Revenue	14,732	16,120	(1,388)
Total Expenditure	26,364	31,453	(5,089)
Financed by:			
Borrowing	4,545	5,537	(992)
Capital Receipts	2,557	2,379	(178)
Capital Grants and Contributions	6,223	7,138	(915)
Major Repairs Reserve	9,645	10,862	(1,217)
Revenue Contributions	3,394	5,537	(2,143)
Total Financing	26,364	31,453	(5,089)

Major Capital works carried out during 2023/24 are set out in the following table:

	£'000
Housing	
Housing Stock Improvement	7,307
Other current developments	446
New builds and acquisitions	6,980
General Fund	
Central Market	3,321
Better Care Fund (Disabled Facilities Grant)	1,128
Western Growth Corridor	3,923
Towns Fund Schemes	1,331
LAD3 Green Homes Grant	581
Other Schemes	1,348
Total	26,364

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 2023/2024 is provided below:

Capital Receipts (Note 9)

The Council utilised £2.557m of capital receipts and received £3.612m 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), as at 31 March 2024 was £107.7m.

Total Borrowing Outstanding			
31/03/23			31/03/24
£'000	Source of loan		£'000
93,962	Public Works Loan Board		95,743
28,000	Market and Other Long-Term Loans		12,000
121,962	Total		107,743

No additional borrowing was taken out during 2023/24; however, a LOBO loan of £4.5m was repaid following the request from the lender to increase the interest rate. This loan was replaced with a preferential borrowing rate from PWLB at a lower interest rate than the previous loan. £12.720m was repaid as planned during the financial year, plus the repayment of a further LOBO of £1.5m due to the lender demanding an increased interest rate which wasn't in line with market conditions. The council will seek to reborrow this amount in the new financial year when interest rates are forecast to decrease.

The Council remains under borrowed by £42.039m (i.e. the Council's actual borrowing is £42.039m less than its borrowing requirement at 31 March 2024).

This means that the borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered prudent whilst internal balances allow for this.

Pension Costs

(Note 41)

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

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

The Balance Sheet shows a increased Pension Fund Reserve / net liability position when compared to the start of the year - increasing from £7.796m at 1 April 2023 to £12.988m as at 31 March 2024. This increase in the net liability is mainly a result of changes in financial assumptions following the latest actuarial report. This is recognised as re-measurements on defined benefit obligation, which is shown in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The statutory arrangements for funding the remaining liability of £12.988m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The latest triennial revaluation of the Council's Pension Fund took place on 31 March 2022.



Future Plans

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

The Council's vision for 2025 remains as;

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

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

The five strategic priorities are:

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

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

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

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

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>

Subsequently in early 2024, a Vision 2025 Celebrating our Progress document was produced, which highlights key achievements under each of the priorities and sets out the remaining plans for 2024/25.

The Vision 2025 Celebrating our Progress document can be accessed using the following link - [DIGITAL - City of Lincoln Council Vision 2025 Progress Report.pdf](#)

During the coming year we will be developing and launching our next strategic plan, Vision 2030. We are proud of all we have achieved with Vision 2020 and Vision 2025, however there is much more we want to achieve to make Lincoln achieve its potential whilst improving the lives of our residents and communities.

Some of our future aims are:

- Invest £1.5bn in our council housing stock and estates over the next 30 years
- Continue to use our regulatory powers to drive up standards in the private rental sector
- Improve access to temporary accommodation and affordable homes so all our residents can have a safe, secure home
- Complete our major investment in the city's waste, grounds maintenance and cleansing services, including introducing new more environmentally sustainable collections for different waste types
- Continue to tackle antisocial behaviour, with even greater focus on making the evening economy safer
- Deliver a range of projects to further enhance our city, using £40 million of external funding awarded by the Town Deal and Levelling Up Fund
- Develop an Inclusive Growth Strategy to inform how we will address economic inequality in the city
- Continue our commitment to regenerate and invest in the city's heritage
- Progress delivery of Western Growth Corridor, including securing vital funding to build the link bridge to Tritton Road
- Improve access to outdoor recreation for all our communities, and deliver initiatives focussed on greening the city centre and improving the physical environment
- Fundamentally review our leisure offer in the city, investing in improvements that will deliver maximum benefit to our residents
- Explore opportunities to regenerate existing woodlands and create new ones to contribute to improved biodiversity in the city
- Continue to decarbonise our assets and work with key stakeholders to challenge the affects of climate change
- Continue to transform how we work so our customers can access our services when and how they need them.

As we prepare for Vision 2030, we are conscious of the significant financial challenges we face and will continue to adopt our successful approach of, carefully balancing the allocation of resources towards our Vision and future investment plans, whilst remaining committed to being financially sustainable.



General Fund

The General Fund continues to face a number of financial challenges over the medium term, arising; as a result of the current economic conditions, national cost-of-living crisis and demand pressures. These cost and demand pressures come after a decade of austerity measures, and a shift to the reliance on local taxation as the primary funding source for all councils (which creates a particular problem for places like Lincoln, with a predominantly low council tax base).

Furthermore, there remains uncertainty around the level of funding for local government beyond the current Spending Review period. The Fair Funding Review and Business Rates Reset have the ability to fundamentally alter the course of our budget and Medium-Term Financial Strategy. While it has now been confirmed that they will not be implemented during 2024/25, and there is a high likelihood that this will also be the case in 2025/26, this only shifts the financial challenges to future years. In addition, the large national deficit that has arisen as a result of the financial measures the Government implemented during the pandemic and more recently in response to the cost-of-living-crisis, will need to be addressed. This is likely to further impact on the funding available to councils in future years with a risk of a new round of austerity measures.

Despite this significant level of uncertainty, based on what is currently known, or can be reasonably assumed, the General Fund continues to face a significant and widening gap between the its spending requirements and the level of resources it estimates to receive, with the underlying need to reduce the net cost base by £1.750m by 2027/28 if we are to remain sustainable in the medium term.

The ability to deliver these further, significant, reductions in the net cost base must be set in the context of us having already delivered, over the last decade, annual revenue savings of nearly £10.5m. This has already involved us having to take difficult decisions in terms of which services we can continue to provide, whilst minimising the impact on services most needed by local residents and businesses, and with each year the challenge gets much harder.

We will though continue to build on our successful financial planning to date and will implement a range of transformational changes in the way in which we operate and delivers services, to reduce our net cost base, minimising where possible the impact on service delivery. Fundamentally though, the Council still believes that the longer-term approach to closing the funding gap is through economic growth and investment. Through Vision 2025 and our new Vision 2030, we will continue to seek ways to maximise our tax bases by creating the right conditions for the economy to recover and grow, to increase Business Rates income, and to encourage housebuilding to

meet growing demand, generating additional Council Tax. As well as continuing to support this we will also seek, through direct interventions, such as the Town Deal; the Additional Affordable Homes Programme; the UK Shared Prosperity Fund and Western Growth Corridor etc, to enhance the economic prosperity of the City.

However, while we will focus on this range of measures, and there is sufficient 'lead in time' to the need to deliver these savings, given the scale of savings required we cannot rule out the need to face further difficult decisions about the size and scope of the essential services we provide in the future.

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

Housing Revenue Account (HRA)

The current HRA Self-financing system has been in place since 2012 and incentivises social housing landlords to manage their assets well and yield efficiency savings. As part of this system, 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. Council landlords were to have greater flexibility to manage their stock in the way that best suits local need with more opportunity for tenants to have a real say in setting priorities looking to the longer term.

A key element of the self-financing regime is the Council's 30-year Business Plan, which sets out our ambitions for our housing stock for the next 30 years. The latest Housing Revenue Account Business Plan 2024-2054 was approved in November 2023, following a fundamental review of resources, investment requirements and priorities. The Business Plan reflects the impact of government policy changes e.g. Social Housing Act 2023, the Building Safety Act, Fire Safety Act etc, the results of stock condition surveys and financial assumptions at the time.

The Business Plan is the our strategic plan for managing and maintaining Lincoln's council housing properties and estates. It also sets out how we will provide housing services to support our tenants, and their families, to live in well maintained and sustainable homes, which will be safe, secure, and of a high quality. It sets out short to medium term plans and priorities for the housing service. The strategic objectives set out within the plan, will influence the longer-term (30 year) plans for financial planning and investment into existing council housing and for the provision of new homes.

The Business plan describes our long-term commitment to deliver real improvements in our housing stock and surrounding neighbourhoods, based on four main objectives:

- Core Housing Services – Tenants consistently place core housing services such as repairs, caretaking and landscaping as their number one priority and we will work to ensure that Lincoln is ranked amongst the top performing social landlords.

- New Homes – We plan to build, acquire and enable the development of 1,700 additional homes over 30 years, which will reduce homelessness and provide a greater choice of places for people to live.
- Estate Regeneration – Plans to regenerate estates means that we will tackle problems like parking, crime and antisocial behaviour by improving the urban landscapes (the look and feel) of streets and neighbourhoods.
- Decarbonisation – We plan to achieve an energy performance rating of C for all of our housing properties by 2030, which means that we will protect the environment by reducing our carbon footprint and making homes cheaper to run for residents.

The Business Plans acts as guide to the development of the Housing Revenue Account budgets, with a focus on growing surplus in the revenue account to enable sustainable investment homes and neighbourhoods. Although there is no specific savings target in the HRA we will continue to pursue the strands of its Towards Financial Sustainability Programme, where there are financial benefits for the HRA, releasing further resources for re-investment. We will also continue to ensure our costs are contained so that expenditure levels do not put pressure on the required revenue contributions to the capital programme.

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 £108m over the next five years, with £39m estimated to be spent in 2024/25. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development, the Lincoln Town Deal Programme, the UK Shared Prosperity Fund, and the Greyfriars development, all in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



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

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

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

Cash flows

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

- Actual Business Rates base in year compared to the assumed levels in the budget, and the ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city as well as potential reductions arising from the current economic conditions.
- Collection rates for Council Tax, Business Rates and Rents, of which Council Tax in particular continues to be detrimentally impacted by the current cost of living crisis.
- Income received compared to income targets (e.g. car parking, planning and building control), while income is buoyant in some areas, current economic factors are impacting on demand in other areas.
- Interest rates achieved on investments and secured on new borrowing.
- Timescale for payment of invoices and collection of debts.
- Profile of capital spending and funding over the MTFS.

Summary

Although both the General Fund and Housing Revenue Account have maintained balanced budget positions in 2023/24 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 2023/24 we are set to face ongoing reductions in resources, increased service costs, increased service demands and the ongoing impact of the current economic conditions and cost-of-living issues. This will require ongoing reductions in the net cost base in order to live within a significantly reduced resource envelope. The Medium-Term Financial Strategy 2024-2029, approved by Full Council in March 2024, 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 our current Vision 2025.

In adopting this approach so far, we have built more than 200 new affordable homes in the city and supported the delivery of many more. We have also gained more than £40m of Town Deal and Levelling Up funding to regenerate the city; worked closely our partners and the development industry to revitalise parts of the city centre; seen regeneration in Sincil Bank go from strength to strength; and provided support and accommodation to people dealing with homelessness in our city on a scale not seen before. We have also reinforced our commitment to addressing the challenge of climate change in our city, investing in energy saving measures and charging infrastructure, and working towards being a plastic free council by 2025.

As we move towards the end of Vision 2025 and prepare for Vision 2030, we remain committed to being financially sustainable and delivering our One Council approach, implementing a range of transformational changes in the way in which we operate and delivers services, making them as efficient and effective as they can be.

We continue to evolve and to innovate, so we can continue to deliver Lincoln's ambitious future.



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 £0.099m 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 £1.360m to the service which is contained within the Chief Executive's Directorate line of 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 2023 to 31 March 2024 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on xxxxx.

Councillor Alan Briggs
Chair of Council

Date: xxxx

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 2024 and its income and expenditure for the year ended on that date.



J Gibson FCCA
Chief Finance Officer
Date: 31st May 2024

MOVEMENT IN RESERVES

	General Fund Balance £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2022	16,357	5,845	20,088	5,708	2,097	50,094	229,188	279,283
Movement in reserves during 2022/23								
Surplus or (deficit) on provision of services	2,110	23,207	0	0	0	25,317	0	25,317
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	76,380	76,380
Total Comprehensive Expenditure and Income	2,110	23,207	0	0	0	25,317	76,380	101,696
Adjustments between accounting basis & funding basis under regulations (note 9)	(7,542)	(22,298)	2,544	1,239	(390)	(26,447)	26,447	0
Increase/(Decrease) in Year	(5,432)	909	2,544	1,239	(390)	(1,131)	102,827	101,696
Balance at 31 March 2023 carried forward	10,925	6,754	22,632	6,947	1,707	48,964	332,015	380,979

MOVEMENT IN RESERVES

	General Fund Balance £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2023	10,925	6,754	22,632	6,947	1,707	48,964	332,015	380,979
Movement in reserves during 2023/24								
Surplus or (deficit) on provision of services	3,845	12,025	0	0	0	15,870	0	15,870
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	(9,943)	(9,943)
Total Comprehensive Expenditure and Income	3,845	12,025	0	0	0	15,870	(9,943)	5,927
Adjustments between accounting basis & funding basis under regulations (note 9)	(3,245)	(10,986)	1,106	1,055	(1,432)	(13,502)	12,070	(1,432)
Net Increase/Decrease in Year	600	1,039	1,106	1,055	(1,432)	2,368	2,127	4,495
Balance at 31 March 2024 carried forward	11,525	7,793	23,738	8,002	275	51,333	334,142	385,475

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2023/24

Restated 2022/23			Note	2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
35,533	(27,199)	8,334	Chief Executive's Directorate	38,177	(28,915)	9,262
4,227	(2,833)	1,394	Housing and Regeneration	4,273	(3,149)	1,124
4,636	(31,762)	(27,126)	Housing Revenue Account (HRA)	19,470	(34,455)	(14,985)
22,002	(13,166)	8,836	Communities and Environment	22,294	(14,784)	7,510
5,150	(948)	4,202	Major Developments	4,606	(4,081)	525
1,463	(681)	782	Corporate Services	1,262	(22)	1,240
73,011	(76,589)	(3,578)	Cost of Services	90,082	(85,406)	4,676
	318		Other Operating Expenditure			572
	1,994		Financing and Investment			(198)
	(24,051)		Income and Expenditure			
			Taxation and Non-Specific			(20,920)
			Grant Income			
	(25,317)		(Surplus) or Deficit on Provision of Services			(15,870)
	(980)		(Surplus) or deficit on revaluation of non-current assets	14		3,122
	0		Impairment Losses on Non-Current Assets charged to the Revaluation Reserve			0
	(8)		(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	25e		40
	(75,391)		Total re-measurements on defined benefit obligation	41		6,781
	(76,380)		Other Comprehensive Income and Expenditure			9,943
	(101,696)		Total Comprehensive Income and Expenditure			(5,927)

*Restated 2022/23 figures in relation to a change in treatment of support services. This has no impact on either net expenditure or balance sheet values

BALANCE SHEET AS AT 31 MARCH 2024

31 March 2023 £'000		Notes	31 March 2024 £'000
444,141	Property, Plant & Equipment	14	455,163
2,768	Heritage Assets	15	2,768
36,578	Investment Property	14,16	38,338
88	Intangible Assets	14,17	49
824	Long Term Investments	18	784
611	Long Term Debtors		498
485,011	Long Term Assets		497,600
1,500	Assets Held for Sale	21	380
36,932	Short Term Investments	18,47	17,831
155	Inventories		154
509	Cash at Bank	20	130
16,545	Short Term Debtors	19	20,209
55,641	Current Assets		38,704
0	Cash and Cash Equivalents	20	0
(14,396)	Short Term Borrowing	18,44	(4,216)
(26,254)	Short Term Creditors	22	(27,827)
(40,649)	Current Liabilities		(32,043)
0	Long Term Creditors	18,44	0
(1,985)	Provisions	23	(730)
(109,243)	Long Term Borrowing		(105,068)
(7,796)	Other Long-Term Liabilities	41	(12,988)
(119,024)	Long Term Liabilities		(118,786)
380,979	Net Assets		385,475
48,964	Usable reserves	10,24	51,333
332,015	Unusable Reserves	25	334,142
380,979	Total Reserves		385,475

CASH FLOW STATEMENT

2022/23		Notes	2023/24
£'000			£'000
25,317	Net surplus or (deficit) on the provision of services		15,870
(20,700)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	1,521
(13,114)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	(9,835)
(8,497)	Net cash flows from Operating Activities		7,556
7,138	Investing Activities	29	11,013
1,971	Financing Activities	30	(18,948)
612	Net (increase) or decrease in cash and cash equivalents		(379)
(103)	Cash and cash equivalents at the beginning of the reporting period		509
509	Cash and cash equivalents at the end of the reporting period	20	130

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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 2023/24 financial year and its position at the year-end of 31 March 2024. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of 2003 Act.

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with 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 an accounting estimate of the cost of holding non-current assets during the year. This comprises:

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

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

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

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

7. Employee Benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision to make the

award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Balance Sheet Date

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in the Reserves Statement.

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

Expected Credit Loss Model

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

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

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

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

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

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

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

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

10. Foreign Currency Translation

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

11. Government Grants and Contributions

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

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

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

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

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

Business Improvement Districts

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

Community Infrastructure Levy

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

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

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

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 cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13. Interests in Companies and other Entities

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

14. Inventories and Long-Term Contracts

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

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

15. Investment Property

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

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

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

16. Joint Operations

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

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

17. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

18. Overheads and Support Services

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

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

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at 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 assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

20. Heritage Assets

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

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

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

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

- **Civic Insignia**

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

- **Art and Sculptures**

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

- **Musical Instruments**

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

- **Vehicles**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

Heritage Assets – General

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

21. Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event had taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely that not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

23. Reserves

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

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

24. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

25. VAT

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

26. Fair Value

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

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

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

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

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

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

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

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

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Classification of Liabilities as Current or Noncurrent (Amendments to IAS1) issued in January 2020. The amendments:
 - a. Specify that an entity's right to defer settlement must exist at the end of the reporting period
 - b. Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - c. Clarify how lending conditions affect classification, and
 - d. Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- d) Non-current Liabilities with Covenants (Amendments to IAS1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a. a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - b. targeted disclosure requirements for affected entities
- f) Supplier Finance Arrangements (Amendments to IAS7 and IFRS7) issued in May 2023. The amendments require an entity to provide additional disclosures about

its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- a. assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- b. understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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.
- **Pension IAS19 and IFRIC14** – Defined Pension Obligations the Council relies on valuations supplied by qualified actuaries to prepare Note 41 to reflect the net pension obligation. The initial valuation provided by the actuary was a net asset position for the funded pension scheme totalling £7.550 million. In accordance with International Financial Reporting Interpretations Committee Standard 14 (IFRIC14) – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, the Council has had to make a judgement as to whether an asset ceiling should apply to the pension valuation recognised in the Council's Balance Sheet. The Council has concluded that, as there is a statutory requirement to participate in the Local Government Pension Scheme, it does not have an unconditional right to a refund from the Pension Fund and therefore no economic benefit can be recognised. An asset ceiling calculation has been produced by the actuary on the Council's behalf based on this assumption and has had an impact of £18.825 million on the net defined liability position.

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 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates (Balance Sheet 31 March 2023 – Provision for Business Rate Appeals £0.593m)	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 2023/24 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31 st March 2024. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date.	The Council's share (40%) of the balance of business rates appeals as at 31 March 2024 amounted to £0.593m, a decrease of £1.259m (68%) from the previous year following the closure of the 2017 list and settlement of several large appeals in year. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.059m.
Property, Plant and Equipment (PPE) (Balance Sheet 31 March 2024 – PPE £455m)	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets. Operational property assets are valued at the Balance Sheet date in accordance with the Royal Institute of Chartered Surveyors valuation standards and guidance. This involves the use of a number of estimation techniques including various property indices. These estimates can fluctuate as property market values and prices change in response to events.	If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.088m and for council dwellings £0.244m for every year that the useful lives had to be reduced. The Gross Book Value (GBV) of the Council's operational property assets is £466m at 31 March 2024. A 1% change in these asset valuations would result in a £4.66m change in their GBV.

Assets held for sale and investment properties (Balance Sheet 31 March 2024 - assets held for sale £0.4m - Investment properties £38.3m)	Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.	A 1% increase / decrease in the value of investment properties and assets held for sale would result in a gain / charge to the Comprehensive Income & Expenditure Statement of £0.387m.
Arrears Balance Sheet 31 March 2024 - Debtors total of £23.700m includes £3.491m debtors (subject to arrears)	As at 31 March 2024, the Council had a balance on current debtors of £23.700m. A review of significant balances suggested that an impairment of doubtful debts of £3.491m was required.	If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.175m to be set aside as an allowance.
Pension Liability (Balance Sheet 31 March 2024 - pensions liability £12.988m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 41.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £14.182m.
Investments (Balance Sheet 31 March 2024 Short Term - £17.831m Long Term - £0.784m)	At 31 March 2024, the Council held £17.831m of short-term investments. These include £8.543 invested in AAA-rated instant access Money Market Funds and £9m 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.
Pension Fund Property Investment Assets Balance Sheet 31 March 2024 - Property Investment Assets £12.614m	The Council's net pension liability disclosed at note 41 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets.	Less certainty and a higher degree of caution should be attached to the Council's share of these pension fund assets. The Council's actuary has estimated that the value of the Council's share of property investment assets as at 31 March 2024 was £12.614m.

Note 5 – Prior Period Adjustment

None

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2024, 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

2022/23

2023/24

Net Expenditure Chargeable to General Fund and HRA Balances	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	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
6,306	2,028	8,334	Chief Executive's Directorate	7,437	1,825	9,262
1,050	344	1,394	Housing and Regeneration	785	339	1,124
(5,431)	(21,695)	(27,126)	Housing Revenue Account (HRA)	(13,035)	(1,950)	(14,985)
5,896	2,940	8,836	Communities and Environment	4,383	3,127	7,510
458	3,744	4,202	Major Developments	(1,580)	2,105	525
1,010	(225)	782	Corporate Services	123	1,117	1,240
9,286	(12,864)	(3,578)	Net Cost of Services	(1,887)	6,563	4,676
(4,764)	(16,975)	(21,739)	Other Income and Expenditure	248	(20,794)	(20,546)
4,521	(29,839)	(25,317)	(Surplus) or Deficit on Provision of Services	(1,639)	(14,231)	(15,870)
		Total				Total
		(22,202)	Opening Balance GF & HRA			(17,679)
		4,521	Less/ Plus (Surplus) or Deficit in Year			(1,639)
		(17,679)	Closing Balance at 31 March GF & HRA			(19,318)

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						
	2022/23					
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 Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Total Adjustments
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Chief Executive's Directorate	272	257	(20)	509	1,519	2,028
Housing and Regeneration	0	90	(23)	67	277	344
Housing Revenue Account (HRA)	(19,798)	337	(29)	(19,490)	(2,205)	(21,695)
Communities and Environment	2,713	217	(11)	2,919	21	2,940
Major Developments	3,672	21	(3)	3,689	55	3,744
Corporate	(558)	0	0	(558)	333	(225)
Net Cost of Services	(13,699)	922	(87)	(12,864)	0	(12,864)
Other Income & Expenditure from the Funding Analysis	(13,578)	1,266	(4,663)	(16,975)	0	(16,975)
Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(27,277)	2,188	(4,750)	(29,839)	0	(29,839)

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS						
	2023/24					
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 Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Total Adjustments
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Chief Executive's Directorate	384	(303)	27	108	1,717	1,825
Housing and Regeneration	0	(77)	22	(55)	394	339
Housing Revenue Account (HRA)	1,461	(724)	(9)	728	(2,678)	(1,950)
Communities and Environment	3,284	(223)	(24)	3,037	90	3,127
Major Developments	2,067	(26)	12	2,053	52	2,105
Corporate	1,180	(488)	0	692	425	1,117
Net Cost of Services	8,376	(1,841)	28	6,563	0	6,563
Other Income & Expenditure from the Funding Analysis	(10,853)	252	(10,193)	(20,794)	0	(20,794)
Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(2,477)	(1,589)	(10,165)	(14,231)	0	(14,231)

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2022/23	2023/24
	£'000s	£'000s
Chief Executive's Directorate	(6,298)	(5,630)
Housing & Regeneration	(1,450)	(1,490)
Housing Revenue Account (HRA)	(31,243)	(33,987)
Communities & Environment	(12,459)	(13,092)
Major Developments	(596)	(652)
Corporate	0	0
Total Income analysed on a Segmental Basis	(52,046)	(54,851)

Note 8 – Expenditure and Income Analysed by Nature

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

	2022/23	2023/24
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	27,732	25,355
Other Services Expenses	73,159	70,794
Depreciation, Amortisation and Impairment	(11,289)	4,569
REFCUS	4,461	3,807
Interest Payments	5,106	3,892
Precepts and Levies	923	1,082
Payments to Housing Capital Receipts Pool	0	0
Total Expenditure	101,092	109,499
Income		
Fees, Charges and other Service Income	(68,663)	(71,110)
Interest and Investment Income	(1,171)	(1,811)
Income from Council Tax and Non- Domestic Rates	(13,187)	(10,119)
Government Grants and Contributions	(42,783)	(41,961)
Gain/Loss on Disposal	(604)	(368)
Total Income	(126,409)	(125,369)
Surplus or Deficit on the Provision of Services	(25,317)	(15,870)

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.

2023/24	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(938)	(651)	0	0	0	1,589
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0	0	0	0
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	558	0	0	0	0	(558)
Holiday Pay (transferred to the Accumulated Absences Reserve)	37	(9)	0	0	0	(28)
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)	8,415	3,204	0	0	0	(11,619)
Total Adjustments to Revenue Resources	8,072	2,544	0	0	0	(10,616)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,650)	(2,005)	3,655	0	0	0
Transfer of capital grants and contributions to capital grants unapplied	0	0	0	0	0	0
Admin costs of RTB	0	43	(43)	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(10,751)	0	10,751	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(867)	0	0	0	0	867

2023/24	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
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,394)	0	0	0	0	3,394
Total Adjustments between Revenue and Capital Resources	(5,911)	(12,713)	3,612	10,751	0	4,261
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,557)	0	0	2,557
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(9,645)	0	9,645
Application of Capital grants to finance capital expenditure	(5,406)	(817)	0	0	(1,432)	6,223
Total Adjustments to Capital Resources	(5,406)	(817)	(2,557)	(9,645)	(1,432)	18,425
Total Adjustments	(3,245)	(10,986)	1,055	1,106	(1,432)	12,070

2022/23	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,389	799	0	0	0	(2,188)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	2
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(4,661)	0	0	0	0	4,661
Holiday Pay (transferred to the Accumulated Absences Reserve)	(58)	(29)	0	0	0	87
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)	6,123	(9,391)	0	0	0	3,268
Total Adjustments to Revenue Resources	2,791	(8,621)	0	0	0	5,830
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(3,239)	3,239	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0	0	0	0
Transfer of capital grants and contributions to capital grants unapplied	(9,446)	(495)	0	0	9,941	0
Admin Costs of RTB	0	66	(66)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(9,321)	0	9,321	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(824)	0	0	0	0	824
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(62)	(688)	0	0	0	750

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Total Adjustments between Revenue and Capital Resources	(10,332)	(13,677)	3,173	9,321	9,941	1,574
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,934)	0	0	1,934
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(6,778)	0	6,778
Application of Capital grants to finance capital expenditure	0	0	0	0	(10,330)	10,330
Total Adjustments to Capital Resources	0	0	(1,934)	(6,778)	(10,330)	19,042
Total Adjustments	(7,542)	(22,298)	1,239	2,544	(390)	26,446

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 @ 31.03.22 £'000	Movements	Appropriations		Balance @ 31.03.23 £'000	Movements	Appropriations		Balance @31.03.24 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
General Fund									
Business Rates Volatility	5,566	0	0	(5,132)	434	(200)	1,163	(481)	916
Council Tax Hardship Fund	213	0	0	(213)	0	0	0	0	0
Budget Carry Forwards	667	0	219	(369)	518	(35)	226	(140)	569
Grants & Contributions	1,932	0	125	(613)	1,446	0	247	(188)	1,505
Invest to Save (GF)	100	0	1	(63)	37	200	200	(88)	349
Strategic Growth (GF)	5	0	0	(5)	0	0	0	0	0
Unused DRF	204	0	0	(40)	164	35	141	(179)	161
Funding for Strategic Priorities	89	0	0	(89)	0	0	0	0	0
HiMO CPN Appeals	47	0	141	(19)	169	0	0	(58)	111
Income Volatility Reserve	320	0	0	0	320	0	200	0	520
Inflation Volatility Reserve	150	0	316	0	466	0	0	0	466
Insurance Reserve	1,493	0	132	(155)	1,470	0	100	(524)	1,046
IT Reserve	219	0	65	0	284	0	109	0	393
Revenues & Benefits	25	0	0	0	25	0	29	0	54
Tree Risk Assessment	84	0	50	(31)	102	0	31	(47)	86
Vision2025	701	0	45	(212)	533	0	150	(298)	385
Lincoln Lottery Reserve	9	0	0	0	9	0	0	0	9
Mayoral Car	27	0	0	(20)	7	0	0	0	7
Active Nation Bond Reserve	380	0	0	(200)	180	0	0	0	180
AGP Sinking Fund	52	0	0	0	52	0	50	0	102
Private Sector Stock	39	0	12	0	51	0	48	(48)	51
Corporate Training	60	0	0	0	60	0	21	(10)	71
Corporate Maintenance	0	0	100	0	100	0	0	0	100
Professional Trainee Scheme	0	0	90	0	90	0	0	0	90
Section 106 Interest	32	0	0	0	32	0	0	0	32
Christmas Decorations	14	0	0	0	14	0	0	0	14

	Balance @ 31.03.22 £'000	Movements	Appropriations		Balance @ 31.03.23 £'000	Movements	Appropriations		Balance @31.03.24 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Electric Van Replacement	24	0	4	(2)	27	0	4	0	31
Air Quality Initiatives	16	0	6	0	22	0	0	0	22
Commons Parking	1	0	12	0	13	0	15	0	28
Tank Memorial	10	0	0	0	10	0	0	0	10
City Centre Masterplan	0	0	0	0	0	0	75	0	75
City Hall Sinking Fund	60	0	0	0	60	0	0	0	60
City Hall Improvement	0	0	50	0	50	0	0	0	50
Birchwood Leisure Centre	66	0	20	0	86	0	20	0	106
Staff Wellbeing	0	0	28	0	28	0	0	0	28
Covid Recovery Reserve	1,047	0	0	0	1,048	0	0	0	1,048
Covid Response	354	0	0	0	354	0	0	0	354
CX Capacity Reserve	0	0	100	0	100	0	0	(44)	56
MSCP & Bus Station	104	0	45	0	149	0	50	0	199
Western Growth Corridor Plan	49	0	0	(49)	0	0			
Total General Fund	14,159	0	1,561	(7,212)	8,510	0	2,875	(2,105)	9,280
Earmarked Reserves									
HRA									
De Wint Court	73	0	0	0	73	0	0	0	73
De Wint Court Sinking Fund	0	0	10	0	10	0	103	0	113
Capital Fees Equalisation	110	0	0	0	110	0	0	0	110
NSAP/RSAP Sinking Fund	0	0	9	0	9	0	9	0	18
HRA Strategic Priority Reserve	582	0	240	(58)	764	0	0	0	764
Disrepair Management	300	0	0	0	300	0	0	(13)	287
HRA Business Plan	77	0	100	0	177	0	800	(134)	842
Tenant Satisfaction Survey	0	0	22	0	22	0	9	0	31
HRS Social Value Reserve	0	0	0	0	0	61	50	0	111
HRA IT Reserve	0	0	135	0	135	0	35	0	170
Strategic Growth Reserve	5	0	0	0	5	0	0	0	5
Invest to Save (HRA)	253	0	240	(77)	416	0	0	(41)	375
Insurance Reserve	1,938	0	284	(169)	2,053	0	400	(302)	2,151
HRA Repairs Account	1,351	0	0	0	1,351	0	0	0	1,351
Housing Repairs Service	126	0	11	0	137	(61)	0	0	76

	Balance @ 31.03.22 £'000	Movements	Appropriations		Balance @ 31.03.23 £'000	Movements	Appropriations		Balance @31.03.24 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Total HRA Earmarked Reserves	4,815	0	1,051	(304)	5,562	0	1,586	(490)	6,658
Total Earmarked Reserves	18,974	0	2,612	(7,516)	14,072	0	4,461	(2,595)	15,938

Note 11 – Other Operating Expenditure

2022/23 £'000		2023/24 £'000
923	Levies	940
0	Payments to the Government Housing Capital Receipts Pool	0
(604)	(Gains)/losses on the disposal of non-current assets	(368)
318	Total	572

Note 12 – Financing and Investment Income and Expenditure

2022/23 £'000		2023/24 £'000
3,840	Interest payable and similar charges	3,638
1,266	Net interest on the net defined liability	253
(3,112)	Interest receivable and similar income	(4,089)
1,994	Total	(198)

Note 13 – Taxation and Non-Specific Grant Income

2022/23 £'000		2023/24 £'000
(7,261)	Council Tax income	(7,501)
(5,927)	Retained Business Rates income and expenditure	(6,278)
(899)	Non service related government grants	(743)
(24)	RSG	(175)
(9,941)	Capital grants and contributions	(6,223)
(24,051)	Total	(20,920)

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

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

Movements in 2023/24										
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
At 1 April 2023	322,627	80,789	11,479	7,500	21,149	10,553	454,098	2,074	36,578	492,750
Additions	10,490	114	238	187	0	11,529	22,558	0	0	22,558
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	109	1664	0	0	(4,893)	0	(3,120)	0	0	(3,120)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,424)	(4,254)	0	0	63	0	(5,615)	0	(1,179)	(6,794)
De-recognition and disposals	(1,684)	0	(67)	0	0	0	(1,751)	0	0	(1,751)
Reclassifications	1,712	5,704		75	(4,576)	(6,233)	(3,318)		2,940	(378)
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2024	331,830	84,017	11,650	7,762	11,743	15,849	462,852	2,074	38,338	503,643
Depreciation										
At 1 April 2023	(20)	(3,276)	(6,542)	(119)	0	0	(9,956)	(1,986)	0	(11,943)
Depreciation/amortisation for year	(7,977)	(1,703)	(757)	0	0	0	(10,437)	(39)	0	(10,476)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0

Depreciation written out to the Surplus/Deficit on the Provision of Services	7,997	4,975	0	0	0	0	12,972	0	0	12,972
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of services	0	(275)	0	0	0	0	(275)	0	0	(275)
De-recognition – disposals	0	0	7	0	0	0	7	0	0	7
De-recognition – other	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2024	0	(279)	(7,292)	(119)	0	0	(7,689)	(2,025)	0	(9,715)
Net book value of assets at 31.03.24	331,830	83,738	4,358	7,643	11,743	15,849	455,163	49	38,338	493,550
Net book value of assets at 31.03.23	322,607	77,513	4,937	7,381	21,149	10,553	444,142	88	36,578	480,807

Movements in 2022/23										
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
At 1 April 2022	299,437	79,721	11,157	6,692	21,490	5,705	424,202	2,074	36,016	462,292
Additions	7,762	861	322	808	0	9,645	19,399	0	0	19,399
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	16	1,166	0	0	(252)	0	930	0	0	930
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	11,932	(44)	0	0	313	0	12,201	0	562	12,763
De-recognition and disposals	(2,611)	(23)	0	0	0	0	(2,634)	0	0	(2,634)
Other movements in cost or valuation	6,090	(891)	0	0	(402)	(4,797)	0	0	0	0
At 31 March 2023	322,627	80,789	11,479	7,500	21,149	10,553	454,098	2,074	36,578	492,750
Depreciation										
At 1 April 2022	0	(1,824)	(5,780)	(119)	0	0	(7,723)	(1,868)	0	(9,591)
Depreciation/amortisation for year	(7,543)	(1,638)	(762)	0	0	0	(9,943)	(119)	0	(10,062)
Depreciation written out to the Revaluation Reserve	0	50	0	0	0	0	50	0	0	50
Movements in 2021/22										
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,458	137	0	0	0	0	7,594	0	0	7,594

Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	65	0	0	0	0	0	65	0	0	65
De-recognition – other	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2023	(20)	(3,276)	(6,542)	(119)	0	0	(9,956)	(1,986)	0	(11,943)
Net book value of assets at 31.03.23	322,607	77,513	4,937	7,381	21,149	10,553	444,141	88	36,578	480,807
Net book value of assets at 31.03.22	299,437	77,897	5,377	6,573	21,490	5,705	416,478	207	36,016	452,701
Owned	322,607	77,513	4,937	7,381	21,149	10,553	444,141	88	36,578	480,807

Valuation

The Council operates a rolling valuation programme that ensures that all Property, Plant and Equipment have a full valuation at least every five years. Those assets which do not receive a full valuation in year are subject to a desktop review / lighter touch revaluation.

The valuation 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

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:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Council Dwellings	60 years for new properties 30 years for properties over 30 years old
Other Land & Buildings	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
Vehicles, Plant & Equipment	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years

Intangible Assets

Intangible assets are amortised to service headings within cost of services as part of the Comprehensive Income and Expenditure Statement on a straight-line basis, as stated in the Accounting Policies. The standard useful life, used for amortisation purposes is:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Intangible Asset	
- Software	5 years

Capital Commitments

At 31 March 2024 the authority had capital commitments of £3.279 in relation to the construction or enhancement of Property, Plant and Equipment. Similar commitments at 31 March 2023 were £2.254m.

Note 15 – Heritage Assets

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

	Heritage Vehicles £'000	Musical Instruments £'000	Civic Insignia £'000	Other £'000	Total Assets £'000
Cost or Valuation					
At 1 April 2022	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
At 31 March 2023	0	0	2,359	409	2,768
Cost or Valuation					
At 1 April 2023	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
At 31 March 2024	0	0	2,359	409	2,768

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 £2.359m. 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 31st March 2017 by external valuers Bamfords.

Other Heritage Assets

This category includes artwork and paintings and miscellaneous assets recognised in the Balance Sheet, such as the Books of Remembrance kept on display at the City Crematorium. These are reported at insurance valuation which is based on market values and are subject to periodic revaluation by an appropriately external qualified valuer. These were revalued at 31st March 2017 by external valuers Bamfords.

Heritage Assets not recognised in the Balance Sheet

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

Scheduled Ancient Monuments

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

Memorials

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

Memorials

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

Public Art

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

Note 16 – Investment Properties and Surplus Assets

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

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

2022/23		2023/24
£'000		£'000
2,191	Rental income from investment property	2,336
(7)	Direct operating expenses arising from investment property	(88)
562	Fair value gains/(losses) on investment properties	(1,179)
0	Gains/(losses) on disposal of investment properties	0
<u>2,746</u>	Net gain/(loss)	<u>1,069</u>

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:

2022/23		2023/24
£'000		£'000
36,016	Balance at 1 April	36,578
0	Additions	0
0	Disposals	0
562	Net gain/loss from Fair Value Adjustment	(1,179)
0	Transfers (to)/from Other Land and Buildings	2,939
<u>36,578</u>	Balance at 31 March	<u>38,338</u>

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 26 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 2024 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 £39k (£119k in 22/23) was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The Council has the following investments at 31 March 2024:

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:

	31/03/2023	31/03/2024
	£000	£000
Non-listed securities	504	504
Total	504	504

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

31 March 2024

	Unquoted Shares	Other	Total
	£000	£000	£000
Opening Balance	320	0	320
Transfers into level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period	(40)	0	(40)
- Included in Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	0	0	0
Additions	0	0	0
Disposals	0	0	0
Closing Balance	280	0	280

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

Summary of Financial Instruments		31/03/23	31/03/24
		£000s	£000s
Financial Liabilities at amortised cost			
Long Term Borrowing	Level 1	(109,243)	(105,068)
Short Term Borrowing	Level 1	(14,394)	(4,216)
Long Term Creditors	Level 1	0	0
Short Term Creditors	Level 1	(11,481)	(11,670)
Cash and Cash Equivalents	Level 1	0	0
Total Financial Liabilities		(135,118)	(120,954)
Financial Assets at amortised cost			
Short Term Investments	Level 1	36,932	17,831
Long Term Debtors	Level 1	611	498
Short Term Debtors	Level 1	8,313	8,270
Cash and Cash Equivalents	Level 1	509	129
Total Financial Assets		46,365	26,729
Financial Assets at FVOCI*			
Long Term Investments	Level 2	824	784
Total Assets at FVOCI		824	784

*Fair Value through Other Comprehensive Income

** See table below for detail

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:

2023/24	Financial Liabilities	Financial Assets		Total
		Amortised Cost	FVOCI	
	£000	£000	£000	£000
Interest Expense	3,639			3,639
Interest Income credited to services		(1,781)		(1,781)
Dividend Income			(46)	(46)
Surplus or deficit arising on revaluation of financial assets			40	40
Net (gain)/loss for the year	3,639	(1,781)	(6)	1,852

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

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 31/3/24	As at 31/3/23
			£'000	£'000
Fair Value OCI				
Equity shareholding in Dunham Bridge Company	Level 2	Average price obtained during the last three share sales	504	504
Equity shareholding in Investors in Lincoln	Level 2	Share of Net Assets	280	320
Total			784	824

* The Authority's shareholding in Investors in Lincoln – the shares in this company are not traded in an active market and fair value of £279,664 has been based on the authorities share of net assets of the company.

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

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

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

- For loans from the Public Works Loan Board (PWLb) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

31/03/2023				31/03/2024	
Carrying Amount £'000	Fair Value £'000	Financial Liabilities	Fair Value hierarchy**	Carrying Amount £'000	Fair Value £'000
95,394	75,156	PWLB Debt	Level 2	97,164	71,894
16,175	16,300	Money Market Debt	Level 2	10,115	8,792
34	34	Bonds/Charity	Level 2	0	0
12,033	11,946	Other	Level 2/3	2,005	2,010
123,636	103,436	Total Debt		109,284	82,696

The fair value of most loans is lower than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate payable is lower 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 the highest we have seen for over a decade.

The fair value of Public Works Loan Board (PWLB) loans of £71.894m 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.

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

Financial Assets

31/03/2023			31/03/2024	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
36,932	36,932	Money Market Investments <1 year	17,831	17,831
0	0	Money Market Investments >1 year	0	0
611	611	Long Term Debtors	498	498
37,543	37,543	Total Investments	18,329	18,329

Trade debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 19 – Debtors

Debtors listed under current assets are monies due which the Council expects to collect within one year of the Balance Sheet date and are analysed as follows:

31/03/23		31/03/24
£'000		£'000
3,769	Central Government Bodies	4,169
5,563	Other Local Authorities	7,456
4	NHS Bodies	18
11,224	Other Entities and Individuals	12,058
20,559	Total Short-Term Debtors	23,700
(4,014)	Less Impairment Loss Allowance	(3,491)
16,545	Net Short-Term Debtors as per Balance Sheet	20,209

Debtors for Local Taxation

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

31/03/23		31/03/24
£'000		£'000
158	Less than three months	674
296	Three to six months	210
903	Six months to one year	4,393
7,321	More than one year	8,175
8,678	Total	13,452

Note 20 – Cash and Cash Equivalents

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

31/03/23		31/03/24
£'000		£'000
1	Cash held by the Council	0
508	Bank Current accounts	130
509		130

The balance at 31/03/2024 shows the financial position which includes creditor payments awaiting clearance through the bank account.

Note 21 – 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 31st March 2024.

Current 2022/23 £000		Current 2023/24 £000
1,500	Balance at start of the year	1,500
0	Additions	0
	Newly classified:	
0	- Property Plant & Equipment	380
0	Revaluation gain/(loss)	0
0	Transfers from AHFS	0
0	Disposals	(1,500)
1,500	Closing Balance	380

Note 22 – Creditors

Creditors shown as current liabilities are amounts payable by the Council within one year of the Balance Sheet date and are analysed as follows:

31/03/23 £'000		31/03/24 £'000
(12,603)	Central Government Bodies	(12,407)
(2,122)	Other Local Authorities	(3,010)
(11,529)	Other Entities and Individuals	(12,411)
(26,254)	Total	(27,827)

Note 23 – Provisions

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

	Business Rates RV Reduction - Think Tank £'000	Compulsory Purchase Order £'000	Business Rates Appeals £'000
Balance at 1 April 2023	(37)	(96)	(1,852)
Additional Provisions made in 2023/24	0	0	(580)
Amounts used in 2023/24	0	0	330
Unused Amounts Reversed in 2023/24	0	0	1,510
Unwinding of Discounting in 2023/24	0	0	0
Interest Applied in 2023/24	0	(4)	0
Balance at 31 March 2024	(37)	(100)	(593)

The provision for business rate appeals represents the Council's share (40% of £1.483m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2024. 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 24 – Usable Reserves

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

Note 25 – 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.

Balance 31/03/23	Reserve Summary	Balance 31/03/24
£'000		£'000
(32,227)	Revaluation Reserve	28,493
(7,796)	Pensions Reserve	(12,988)
306,748	Capital Adjustment Account	318,427
57	Deferred Capital Receipts	57
(46)	Financial Instruments Adjustment Account	(47)
809	Financial Instruments Revaluation Reserve	769
(123)	Collection Fund Adjustment Account – Council Tax	(41)
717	Collection Fund Adjustment Account – NNDR	78
(578)	Accumulated Absences Account	(606)
332,015		334,142

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.

2022/23 £'000		2023/24 £'000
31,543	Balance 1 April	32,227
3,405	Upward Revaluation of assets	23,555
(2,425)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(19,317)
980	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	4,238
(139)	Difference between fair value depreciation and historical cost depreciation	(612)
(157)	Amounts written out to the Capital Adjustment Account	(7,360)
32,227	Balance 31 March	28,493

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.

2022/23 £'000		2023/24 £'000
282,571	Balance 1 April	306,749
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,062)	Charges for depreciation and amortisation of non-current assets	(10,476)
0	Other movements of depreciation	0

2022/23 £'000		2023/24 £'000
19,795	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	7,085
562	Fair value movements on Investment Properties	(1,179)
(4,461)	Revenue expenditure funded from capital under statute	(3,807)
(2,411)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,244)
3,423		(11,621)
139	Adjusting amounts written out of the Revaluation Reserve	613
3,562	Net written out amount of the cost of non-current assets consumed in the year	(11,009)
Capital Financing applied in year:		
1,934	Use of Capital Receipts to finance new capital expenditure	2,557
0	Use of Capital Receipts to reduce capital financing requirement	0
6,778	Use of the Major Repairs Reserve to finance new capital expenditure	9,645
750	Capital expenditure charged against the General Fund and HRA balances	3,394
10,330	Application of Capital Grants to finance new capital expenditure	6,223
824	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	867
20,616		22,686
306,749	Balance 31 March	318,427

c) 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.

2022/23 £'000	Financial Instruments Revaluation Reserve	2023/24 £'000
801	Balance 1 April	809
0	Transfer from Available for Sale Financial Instruments Reserve	0
8	(Gain)/Loss on FVOCI revaluations in year	(40)
809	Balance 31 March	769

d) 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.

2022/23 £'000		2023/24 £'000
(29)	Balance 1 April	(123)
(94)	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	82
<u>(123)</u>	Balance 31 March	<u>(41)</u>

e) 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.

2022/23 £'000		2023/24 £'000
(4,037)	Balance 1 April	717
4,754	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	(639)
<u>717</u>	Balance 31 March	<u>78</u>

f) 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.

2022/23 £'000		2023/24 £'000
(669)	Balance 1 April	(578)
669	Settlement or cancellation of accrual made at the end of the preceding year	578
(578)	Amounts accrued at the end of the current year	(610)
	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	(28)
(578)	Balance 31 March	(606)

Note 26 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
2,810	Interest received	1,800
(4,129)	Interest paid	(2,193)
40	Dividends Received	30
(1,279)		(363)

Note 27 – Cash Flow Statement – Adjustment to surplus or deficit on provision of services for non-cash movements

2022/23 £'000		2023/24 £'000
10,062	Depreciation	10,437
(19,916)	Impairment and downward valuations	(5,906)
119	Amortisation	39
(22,167)	Increase/(decrease) in creditors	(1,022)
7,265	(Increase)/decrease in debtors	(2,429)
(46)	(Increase)/decrease in inventories	2
2,188	Movement in pension liability	(1,589)
2,569	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,244
(774)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,255)
(20,700)		1,521

Note 28 – Cash Flow Statement – Adjustment to surplus or deficit on the provision of services for items that are investing & financing activities

2022/23 £'000		2023/24 £'000
(3,173)	Proceeds from sale of PPE, investment property and intangible assets	(3,612)
(9,941)	Any other items for which the cash effects are investing or financing cash flows	(6,223)
<u>(13,114)</u>		<u>(9,835)</u>

Note 29 – Cash Flow Statement - Investing Activities

2022/23 £'000		2023/24 £'000
(19,458)	Purchase of property, plant and equipment, investment property and intangible assets	(22,362)
(249,659)	Purchase of short-term and long-term investments	(185,147)
0	Other payments for investing activities	0
3,173	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,762
263,028	Proceeds from short-term and long-term investments	204,248
10,054	Other receipts from investing activities	11,512
<u>7,138</u>	Net cash flows from investing activities	<u>11,013</u>

Note 30 – Cash Flow Statement - Financing Activities

2022/23 £'000		2023/24 £'000
0	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
6,640	Cash receipts of short & long-term borrowing	6,090
0	Other receipts from financing activities	0
(9,895)	Repayments of short- and long-term borrowing	(21,990)
5,226	Other payments for financing activities	(3,048)
<u>1,971</u>	Net cash flows from financing activities	<u>(18,948)</u>

Note 31 – 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 2023/24 totalled £260,498 (£252,312 in 2022/23).

Payments are defined as:

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

Note 32 – 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

2023/24:

Post Title	Salary	Bonuses	Expense Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions 2023/24	Pension Contributions	Total Remuneration including Pension Contributions 2023/24
	£	£	£	£	£	£	£
Chief Executive ¹	135,380				135,380	31,679	167,059
Director of Housing & Investment	104,435		102		104,537	24,438	128,975
Director of Communities & Environment	104,803				104,803	24,438	129,241
Director for Major Developments	104,435				104,435	24,438	128,873
	449,053	0	102	0	449,155	104,992	554,148

- 1) The salary costs for the Chief Executive include £3.2k relating to election expenses in 2023/24.

2022/23:

Post Title	Salary	Bonuses	Expense Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions 2022/23	Pension Contributions	Total Remuneration including Pension Contributions 2022/23
	£	£	£	£	£	£	£
Chief Executive ¹	130,602				130,602	22,594	153,200
Director of Housing & Investment	100,904				100,904	17,456	118,400
Director of Communities & Environment	101,101				101,101	17,456	118,600
Director for Major Developments	100,904				100,904	17,456	118,400
	433,512	0	0	0	433,512	74,963	508,600

1) The salary costs for the Chief Executive include £3.2k relating to election expenses in 2022/23.

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

Remuneration Band	Number of Employees	
£	2023/24	2022/23
50,000 - 54,999	16	13
55,000 - 59,999	8	4
60,000 - 64,999	1	3
65,000 - 69,999	3	3
70,000 - 74,999	4	3
75,000 - 79,999	0	1
80,000 - 84,999	2	1

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

The figure above for 2023/24 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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
							£	£
£0 - £20,000	0	0	8	2	8	2	57,313	3,961
£20,001 - £40,000	0	0	4	0	4	0	111,129	0

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
							£	£
£40,001 - £60,000	0	0	1	0	1	0	54,569	0
£60,001 - £80,000	0	0	1	1	1	1	65,547	68,424
£80,001 - £100,000	0	0	0	1	0	1	0	87,597
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings	0	0	14	4	14	4	288,557	159,983
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							288,558	159,983

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

Note 33 – External Audit Costs

In 2023/24 the following fees relating to External Audit and Inspection were incurred and paid to KPMG, the Council's external auditors:

2022/23 £'000		2023/24 £'000
	Fees payable for statutory audit services	
57	Fees Payable with regard to external audit services carried out by the appointed auditor	140
57		140
	Fees payable for other audit services	
11	Fees payable for the certification of grant claims and returns	30
69	Total fee payable to external auditors	170

The audit profession has been subject to high levels of scrutiny in recent years following several widely reported financial failures in the private sector. To address this, and the growing delays in completing local audits, audit fees have undergone a consultation and reform during the financial year. Revised audit fees are set out and published in the PSAA's scale fees communication.

Note 34 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

Credited to Taxation and Non-Specific Grant Income		
2022/23		2023/24
£'000		£'000
(24)	Revenue Support Grant	(175)
(421)	New Homes Bonus	(224)
(8)	Transparency Code Setup Grant	(8)
(174)	Lower Tier Services Grant	0
(263)	Services Grant	(476)
(32)	Business rates levy surplus distribution	(32)
0	Other	(14)
(923)	Total Non-Ring-fenced Grants shown on CIES	(929)
(852)	Disabled Facilities Grants	0
(78)	Section 106 agreement	0
0	Levelling Up Fund	(2,567)
(34)	Heritage Lottery Fund	0
(1,019)	Historic England	(2)
0	Department of Transport	(144)
(931)	Homes England	(1,232)
(6,120)	Towns Fund	(1,961)
(12)	Nottingham City Council	0
(896)	Other Capital Grants and Contributions	(317)
(9,941)	Total Capital Grants and Contributions shown on CIES	(6,223)
(3,192)	S31 Grants included in Non-Domestic Rates Income on CIES	(3,660)
(4,056)	Total Non-Ringfenced Grants included in CIES	(10,812)

Credited to Services		
2022/23		2023/24
£'000		£'000
0	Disabled Facilities Grants	(1,128)
(11,402)	Rent Allowances	(12,487)
(10,452)	Rent Rebates	(10,560)
(132)	Discretionary Housing Payments	(132)
(340)	Housing Benefit Administration	(330)
(446)	New Burdens Grant Determination	(266)

(118)	Historic England	(180)
(144)	Local Council Tax Support Admin Subsidy	0
(167)	Home Office	0
(78)	Towns Fund	(343)
(1,213)	Homeless Specific	(1,534)
(197)	Council Tax Energy Rebate Grant	0
(494)	COVID Business Support Grants	0
(72)	Homes England	(71)
(767)	Other Grants	(347)
0	Towns Deal	(1,310)
0	Household Support Schemes	(779)
0	BEIS	(581)
0	Levelling Up Fund	(86)
0	UK Shared Prosperity Fund	(683)
0	Internal Drainage Board	(142)
0	Council Tax Support Scheme	(190)
(26,023)	Total Grants and Contributions credited to Services	(31,149)
(40,079)	Total Grants, Contributions and Donated Assets	(41,961)

Note 35 – 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 2023/24 the Council sent a letter, dated 26th March 2024, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'.

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

Name of Organisation	Member Representative	Officer Representative
	Councillor C Burke Councillor D Armiger Councillor C Watt Councillor L Bushell Councillor B Bushell Councillor D Nannestad	
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan Councillor D Nannestad Councillor B Bushell Councillor R Longbottom	Chief Executive
Lincoln Dial-a-Ride	Councillor G Hewson	Chief Executive
Lincoln Citizens Advice Bureau	Councillor S Burke	Chief Executive
Investors in Lincoln	Councillor R Metcalfe Councillor N Tweddle	Chief Executive/ Major Developments
Citizens Advice Lincoln & Lindsey	Councillor S Burke	Chief Executive
Lincoln Business Improvement Group	Councillor N Tweddle Councillor R Metcalfe	Communities and Environment
Central Lincolnshire Joint Strategic Planning Partnership	Councillor R Metcalfe Councillor C Burke Councillor N Tweddle Councillor G Hewson(Sub)	Communities & Environment
The Shared Revenues & Benefits Joint Committee	Councillor R Metcalfe Councillor Sue Burke Councillor D Nannestad(sub))	Chief Executive

None of the above Members or Officers took part in the decision making of any financial assistance awarded to any of the organisations.

UK Central Government - has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of transactions with government departments are set out in note 35.

Other Bodies - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2022/23 were as follows:

2022/23		2023/24
£'000		£'000
493	Upper Witham Drainage Board	567
148	Witham 1 st Drainage Board	191
282	Witham 3 rd Drainage Board	324
923	Total	1,082

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

2022/23		2023/24
£'000		£'000
57	Lincoln Dial-a-Ride	50
0	Citizens Advice Bureau	0
25	Brayford Trust	31

Collaborative Agreements – The Council holds 6.3% (£12,350) of the ordinary share capital of £196,000 of Investors in Lincoln Ltd (ILL).

The principal activity of the company is the promotion of economic regeneration and the development and expansion of industry, commerce and enterprise of all forms for the benefit of the community in and around the City of Lincoln.

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2023, showing net assets of £4.475m and a loss of £17,725. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

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

Collaborative Agreements - The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as Jointly Controlled Operations, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require

consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Note 36 – 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:

2022/23 £'000		2023/24 £'000
	Capital investment	
19,399	Property, Plant and Equipment	22,557
0	Investment Properties	0
0	Intangible Assets	0
4,461	Revenue Expenditure Funded from Capital under Statute	3,807
23,860		26,364
2022/23 £'000		2023/24 £'000
	Sources of finance	
(1,934)	Capital Receipts	(2,557)
(10,330)	Government grants and other contributions	(6,223)
(62)	Revenue Contributions	(3,394)
(7,465)	Major Repairs Reserve	(9,645)
(19,791)	Total sources of financing	(21,819)
(4,069)	Capital Financing Requirement	4,545
	Capital Financing Requirement - Funded by:	
(4,069)	Unsupported Borrowing	(4,545)
(4,069)		(4,545)
142,859	Opening CFR	146,104
0	Opening CFR Rounding adjustment	(1)
4,069	Unsupported borrowing	4,545
0	Adjustments in respect of leases disposed under finance lease	0
(824)	Minimum Revenue Provision/Voluntary Revenue Provision	(867)

0	Application of capital receipts to reduce CFR	0
146,104	Closing CFR	149,781

Note 37 – Leases

Council as Lessee

Finance Leases

The Council does not have any finance leases as Lessee.

Operating leases

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

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

31/03/2023		31/03/2024
£'000		£'000
260	Not later than one year	324
1,460	Later than one year and not later than five years	1,152
101	Later than five years	22
1,820		1,498

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

2022/23		2023/24
£'000		£'000
234	Vehicles Plant & Equipment	224
234	Minimum lease payments	224

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 2023/24.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

2022/23		2023/24
£'000		£'000
2,727	Not later than one year	2,825
9,312	Later than one year and not later than five years	9,265
18,974	Later than five years	17,342
31,013		29,432

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as rent reviews. In 2023/24, (£520k) contingent rents were received by the Authority (2022/23 £391k).

Note 38 – Impairment Losses

There was a valuation impairment of £275k charged to the I&E in relation to 20/22 Steep Hill which is in need of extensive repairs to bring the asset back into use.

Note 39 – 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 40 – Termination Benefits

The Council terminated the contracts of a number of employees in 2023/24, incurring liabilities of £0.160m (£0.289m in 2022/23) – see note 32 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 41 – 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:

2022/23 £'000		2023/24 £'000
	Comprehensive Income & Expenditure Statement	
	Net Cost of Services:	
5,960	Current Service Cost	3,156
127	Administration Expenses	138
122	Past Service Costs (including curtailments)	0
	Financing and Investment Income and Expenditure:	
1,266	Net Interest Expense	253
7,475	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	3,547
2022/23 £'000	Re-measurement of the net defined benefit liability comprising:	2023/24 £'000
9,476	Return on plan assets (excluding the amount included in the net interest expense)	(8,594)

0	Actuarial gains and losses arising on changes in demographic assumptions	(2,490)
(104,550)	Actuarial gains and losses arising on changes in financial assumptions	(1,472)
2,851	Other Actuarial gains / losses on assets	0
0	Changes in effect of asset ceiling	18,825
19,683	Other	512
(75,391)	Total re-measurements recognised in Other Comprehensive Income and Expenditure	6,781
(67,916)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,328

**2022/23
£'000**

**2023/24
£'000**

Movement in Reserves Statement

(7,475)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,547)
5,287	Actual amount charged against the General Fund Balance for pensions in the year:	5,136

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:

2022/23 £'000		2023/24 £'000
(174,264)	Present value of the defined obligations	(174,357)
166,468	Fair value of plan assets	180,194
0	Impact of asset ceiling	(18,825)
(7,796)	Net liability arising from defined benefit obligation	(12,988)

Under IFRIC14 where the Council has an accounting surplus or asset, it should only be recognised to the extent that the Council is able to recover the surplus through either reduced contributions in the future, or through refunds. The present value of such economic benefits is referred to as the "Asset Ceiling". The Council's actuary has calculated the asset ceiling as £11.275 million in 2023/24, which has an impact of £18.825 million on the net defined liability position.

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

2022/23 £'000		2023/24, £'000
171,896	Opening fair value of scheme assets	166,468
5,375	Interest Income	7,927
(9,476)	The return on plan assets, excluding the amount included in the net interest expense	8,594

2022/23 £'000		2023/24, £'000
0	Other actuarial gains / (losses)	0
5,287	Contributions from employer	5,136
1,095	Contributions from employees into the scheme	1,157
(7,582)	Benefits Paid	(8,950)
(127)	Administration Expenses	(138)
0	Settlement Prices received/(paid)	0
166,468	Closing Fair value of scheme assets	180,194

Reconciliation of Present Value of the scheme liabilities:

2022/23 £'000		2023/24 £'000
252,895	Opening balance at 1 April	174,264
5,960	Current Service Cost	3,156
6,641	Interest Cost	8,180
1,095	Contributions from scheme participants	1,157
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	(2,490)
(104,550)	Actuarial gains/losses arising from changes in financial assumptions	(1,472)
19,683	Other	512
122	Past Service Cost	0
0	Liabilities assumed/(extinguished) on settlements	0
(7,394)	Benefits Paid	(8,749)
(188)	Unfunded pensions Payments	(201)
174,264	Closing Balance at 31 March	174,357

Local Government Pension Scheme assets comprised:

Quoted in Active Markets	Unquoted in Active Markets	Total		Quoted in Active Markets	Unquoted in Active Markets	Total
2022/23 £'000	2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000	2023/24 £'000
			Fixed Interest Government Securities:			
1,665	0	1,665	UK	0	0	0
0	0	0	Overseas	0	0	0
1,665	0	1,665	Sub-total Fixed Interest Government Securities	0	0	0
			Index Linked Government Securities:			
1,665	0	1,665	UK	0	0	0
0	0	0	Overseas	0	0	0
1,665	0	1,665	Sub-total Index Linked Government Securities	0	0	0

			Corporate Bonds:			
14,982	0	14,982	UK	21,623	0	21,623
0	0	0	Overseas	0	0	0
14,982	0	14,982	Sub-total corporate bonds	21,623	0	21,623
			Equities:			
24,970	0	24,970	UK	14,416	0	14,416
68,251	0	68,251	Overseas	75,681	0	75,681
93,221	0	93,221	Sub-Total equities	90,097	0	90,097
			Property:			
9,988	1,665	11,653	All	9,010	3,604	12,614
9,988	1,665	11,653	Sub-Total Property	9,010	3,604	12,614
			Others:			
0	6,659	6,659	Hedge Fund	0	10,812	10,812
0	11,653	11,653	Private Equity	0	12,614	12,614
0	6,659	6,659	Infrastructure	0	7,208	7,208
0	0	0	Commodities	0	0	0
0	0	0	Bonds	0	0	0
8,323	0	8,323	Credit – Diversified Income	18,019	0	18,019
0	3,329	3,329	Private Debt	0	1,802	1,802
0	1,665	1,665	Other Diversified Alternatives	0	0	0
0	0	0	Forward Current Contracts	0	0	0
4,994	0	4,994	Cash/Temporary Investments	5,405	0	5,405
13,320	29,965	43,285	Sub-Total Others	23,424	32,436	55,860
			Net Current Assets:			
0	0	0	Debtors	0	0	0
0	0	0	Creditors	0	0	0
0	0	0	Sub-Total Net Current Assets	0	0	0
134,838	31,630	166,468	Total assets	144,154	36,040	180,194

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Barnett Waddington, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2022/23		2023/24
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
19.8	Men	19.5
22.9	Women	22.7
	<u>Longevity (in years) at 65 for future pensioners:</u>	
21.1	Men	20.8
24.4	Women	24.1
3.90%	Rate of increase in salaries	3.95%
2.90%	Rate of increase in pensions	2.95%
4.80%	Rate for discounting scheme liabilities	4.90%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis:

	Increase in Assumptions £'000s	Decrease in Assumptions £'000s
Adjustment to Discount Rate (increase or decrease by 1%)		
Present Value of Total Obligation	(2,264)	2,692
Projected Service Cost	(108)	113
Adjustment to Long Term Salary (increase or decrease by 1%)		
Present Value of Total Obligation	248	(246)
Projected Service Cost	2	(2)
Adjustment to Pension/Revaluation (increase or decrease by 1%)		
Present Value of Total Obligation	2,492	(2,429)
Projected Service Cost	114	(110)
Adjustment to Life Expectancy (increase or decrease by 1 year)		
Present Value of Total Obligation	7,582	(7,224)
Projected Service Cost	119	(115)

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 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Employer contributions payable to the scheme in 2023/24 are estimated to be £5.092m

Note 42 – Contingent Liabilities

The Council has no Contingent Liabilities as at 31st March 2024.

Note 43 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2024.

Note 44 – 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 28th February 2023. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website (www.lincoln.gov.uk). The key issues during 2023/24 were:

- The Authorised Limit for 2023/24 was forecast to be £125m (the mid year forecast remained at £125m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £121m (the mid year forecast remained at £121m). This is the expected level of debt and other long-term liabilities during the year.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

These policies are implemented by the Treasury team in Financial Services. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy are contained within the Treasury Management Strategy and can be found on the Council's website (www.lincoln.gov.uk).

The Investment Strategy is based on the creditworthiness service provided by Link Asset Services (treasury management advisors to the Council). This uses a wide range of market information to produce a list of investment counterparties with recommended maximum investment durations. Link uses credit ratings, support ratings and credit default swap prices to arrive at a recommended counterparty list.

The criteria used as a minimum within the Capita methodology are as follows:

- Short Term credit ratings of F1, Long Term A, Support 3 and viability rating BBB (Fitch or equivalent rating), using the lowest common denominator principle.
- Inclusion of part Government owned UK banks based on support assumptions.

The 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 31/03/24	Historical Risk of Default	Estimated maximum exposure to credit loss
	£'000	%	£'000
	a	b	(a * b)
Deposits with banks and financial institutions			
AAA* rated counterparties (investments up to 1 year)	8,543	0.000%	0
AA-* rated counterparties (investments up to 1 year)	3,000	0.001%	0
A* rated counterparties (investments up to 1 year)	2,000	0.002%	0
A- rated counterparties (investments up to 1 year)	2,000	0.001%	0
BBB+ rated counterparties	2,000	0.014%	0
Debtors	8,270	7.170%	593
Total	25,813		593

*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.

The Council maintains strict credit criteria for investment counterparties to maximise security and minimize risk of loss, which are demonstrated by the low historic risk of default percentages seen in the table above.

Analysis of Investments by country of origin

		Short term		Long term	
	Principal invested £'000	Fixed rate £'000	Variable rate £'000	Fixed rate £'000	Variable rate £'000
<u>UK Local Authorities</u>					
Babergh District Council	3,000	3,000	0	0	0
<u>UK Banks & Building Societies</u>					
Close Brothers	2,000	2,000	0	0	0
Lloyds (NRFB)	2,000	2,000	0	0	0
SMBC	2,000	2,000	0	0	0
<u>UK Money Market Funds</u>					
BNP Paribas	1,543	0	1,543	0	0
Federated (Prime Rate)	7,000	0	7,000	0	0
Total Investments	17,543	9,000	8,543	0	0

The Council allows credit for its trade debtors, such that £464k of the £2.938m balance is not past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/23 £'000		31/03/24 £'000
425	Less than three months	159
251	Three to six months	139
312	Six months to one year	226
1,208	More than one year	1,950
2,196	Total	2,474

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows: -

31/03/2023 £'000	Maturity Analysis of Financial Liabilities	31/03/2024 £'000
14,394	Less than one year	4,216
2,225	Between one and two years	1,578
4,104	Between two and five years	7,073
102,913	More than five years	96,416
123,636	Total	109,283

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 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:

2022/23 £'000		2023/24 £'000
(671)	Increase in interest receivable on variable rate investments	(154)
(671)	Impact on Income and Expenditure Account	(154)
(342)	Share of overall impact credited to the HRA	(92)
(329)	Share of overall impact credited to the General Fund	(62)
(671)	Total	(154)

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 £0.784m 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 (£0.280m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all held at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2024

Restated 2022/23		Notes	2023/24	2023/24
£'000			£'000	£'000
	Expenditure			
(8,947)	Repairs and Maintenance	5	(11,202)	
(6,411)	Supervision and Management		(5,822)	
(905)	Rents, rates, taxes and other charges		(1,059)	
11,936	Depreciation, impairment and other adjustments for non-current assets		(1,461)	
(9)	Debt management costs		(9)	
(300)	Movement in the allowance for bad debts		83	
(4,636)	Total Expenditure			(19,470)
	Income			
30,089	Dwelling rents		32,514	
405	Non-dwelling rents		423	
725	Other Income		868	
544	Charges for services and facilities		650	
31,763	Total Income			34,455
27,127	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			14,985
(333)	HRA Services' share of Corporate and Democratic Core			(374)
(1,872)	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services			(2,304)
(558)	Transfer from HRS			0
24,364	Net Cost for HRA Services			12,307
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
627	Gain or (loss) on the sale of HRA assets			218
(2,432)	Interest payable and similar charges			(2,317)
614	Interest and investment income			1,073
(462)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9		(73)
496	Capital grants and contributions receivable			817
23,207	Surplus or (deficit) for the year on HRA services			12,025

*Restated 2022/23 figures in relation to a change in treatment of support services. This has no impact on either net cost of service or balance sheet values

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2022/23 £'000		2023/24 £'000
1,030	Balance on the HRA at the end of the previous year	1,189
23,207	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	12,025
(22,298)	Adjustments between accounting basis and funding basis under statute	(10,986)
908	Net increase or (decrease) before transfers to or from reserves	1,044
(748)	Transfers (to) or from reserves	(1,096)
159	Increase or (decrease) in year on the HRA	(57)
1,189	Balance on the HRA at the end of the current year	1,132

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NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2024, totalled 7,784 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	540	2,032
2 Bed	5	118	82	105	310
3 Bed	0	0	12	1	13
Sub-Total	48	1,006	655	646	2,355
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	236	269	555
2 Bed	0	215	110	148	473
3 Bed	0	15	4	1	20
4 Bed	0	0	0	0	0
Sub-Total	0	280	349	417	1,048
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	55	137	0	192
2 Bed	0	30	70	0	101
Sub-Total	0	85	208	0	293
Houses / Bungalows					
1 Bed	156	142	32	25	355
2 Bed	705	749	97	347	1,898
3 Bed	774	527	69	309	1,679
4 or more Beds	99	24	1	32	156
Sub-Total	1,734	1,442	198	713	4,088
Total Dwellings 31 March 2023	1,781	2,815	1,412	1,776	7,784

Note 2 – Housing Revenue Account Assets Valuation

The Council's in-house Valuation Officers, and the District Valuer, have valued the HRA dwellings, land, and other property in accordance with Royal Institute of Chartered Surveyor guidelines.

The Balance Sheet value of council dwellings is calculated by applying a Social Housing discount factor. This represents the market value for the Council's total housing stock adjusted to reflect the fact that the property is socially rented (this adjustment is currently 42%). The discount factor is then applied to the open market or vacant possession value as determined by the District Valuer, as shown below:

	£ 000
Vacant possession value of council dwellings at 31 March 2024	788,773
Balance sheet valuation applying the Social Housing discount factor	331,285

The Balance Sheet value of HRA Assets is as follows:

2022/23		2023/24
£'000		£'000
321,964	Council Dwellings	331,285
4,117	Land & Buildings	4,625
13,533	Surplus Assets	9,800
2,958	Assets Under Construction	7,198
394	Other Assets	323
342,966	Total at 31 March	353,231

Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

Depreciation:		2023/24
2022/23	Operational Assets:	£'000
£'000		
7,523	Council Dwellings	7,957
339	Other Operational Assets	241
7,862	Total at 31 March	8,199

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.

2022/23		2023/24
£'000		£'000
(20,088)	Balance on 1 April	(22,631)
	Amount transferred from the HRA	
	- Depreciation	
(7,523)	Dwellings	(7,957)
(339)	Other Assets	(241)
(2,147)	- Other revenue contributions	(2,552)
(30,097)		(33,382)
	Used in Financing	
6,778	- HRA Capital Expenditure	9,645
688	-DRF	0
(22,631)		(23,737)

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.

2022/23 £'000		2023/24 £'000
(1,351)	Balance on 1 April	(1,351)
	Expenditure in year	
0	Painting Programme	688
3,991	Tenant Notified Repairs	4,806
1,938	Void Repairs	2,110
1,792	Servicing Contracts	1,978
0	Painting Programme	688
190	Asbestos Removal/Surveys	152
1	Specialist Property Surveys	3
617	Aids & adaptations	984
16	Aids & adaptations (Non HRS)	26
80	Cleansing	91
0	Minor Works	0
68	Decoration Grants	54
6	Tenants Compensation	2
0	COVID Charges	0
143	Skip Recharges	133
36	Control Centre Recharge	34
0	Estate Shops	0
105	Other Expenditure	170
8,983		11,231
	Income in year	
(8,909)	Contribution from HRA	(11,098)
0	Contribution to HRA)
(74)	Repairs Account Income	0
0	Contribution from Leaseholders	(133)
0	Interest Received in year	0
(8,983)		(11,231)
)
(1,351)	Surplus Balance on 31 March	(1,351)

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:

2022/23 £'000		2023/24 £'000
	Capital investment	
12,647	Property, Plant and Equipment – HRA	14,732
0	Property, Plant and equipment – GF used as council housing	0
0	Non-Current Assets held for sale	0
0	Intangible Assets	0
0	Revenue Expenditure funded from Capital under Statute	0
12,647		14,732
	Sources of funding	
(1,917)	Capital Receipts	(2,557)
0	Revenue Contributions	0
(7,465)	Major Repairs Reserve	(9,645)
(2,770)	Prudential Borrowing	(1,713)
(495)	Government grants and other contributions	(817)
(12,647)		(14,732)
0	Balance unfunded at 31 March	

* REFCUS is created when expenditure has been incurred on items that are not capitalised as assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.000m for 2023/24 (£0.000m in 2022/23).

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.

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:

2022/23 £'000		2023/24 £'000
	Council dwellings	
(3,239)	- Right to Buy	(1,861)
0	- Discounts repaid	(36)
	Other Receipts	(66)
0	- Land Sales reimbursements	0
0	- Reimbursement of expenditure on	0
0	General Fund property on sale	

2022/23 £'000		2023/24 £'000
	Land receipts	
(3,239)		(1,962)
0	Less Pooled (Paid to Central Government)	0
(3,239)	Total	(1,962)

Note 8 - Rent Arrears

During the year 2023/24 total rent arrears decreased by £78k equal to 3.6%, to £2.087m. A summary of rent arrears and prepayments is shown in the following table:

2022/23 £'000		2023/24 £'000
1,158	Current Tenant Arrears @ 31 March	1,212
1,007	Former Tenant Arrears @ 31 March	875
2,165	Total Rent Arrears	2,087
(280)	Prepayments @ 31 March	(726)
1,885	Net Rent Arrears	1,361

A write back from the Balance Sheet of £82,507.99 has been made in this year's accounts, following recalculation of sundry debt model, in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of provision held on the Balance Sheet at 31 March 2024 is £1,584,278 (£2,161m at 31 March 2023).

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:

2022/23 £'000		2023/24 £'000
	HRA Income & Expenditure Statement	
2,268	Current Service Cost	952
0	Past Service Costs	0
462	Net interest expense	73
2,730	Total	1,025
(1,931)	Amount to be met from HRA	(1,676)
799	Movement on Pension Reserve	(651)

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

2022/23 £'000 Total		2023/24 £'000 Council Tax	2023/24 £'000 NNDR	2023/24 £'000 Total	Note
INCOME					
(50,192)	Council Tax Payers	(52,971)	-	(52,971)	2
(124)	Income from Ministry of Defence	(124)	-	(124)	
(40,286)	Income from Business Ratepayers	-	(33,466)	(33,466)	3
-	Transitional Relief Income	-	(1,533)	(1,533)	
(90,602)		(53,095)	(34,999)	(88,095)	
EXPENDITURE					
Precepts:					
7,360	- City of Lincoln Council	7,556	-	7,566	
36,248	- Lincolnshire County Council	37,966	-	37,966	
6,993	- Police & Crime Comm. Lincolnshire	7,354	-	7,354	
Business Rates:					
19,376	- Payments to Government	-	18,818	18,818	3
15,501	- Payments to City of Lincoln Council	-	15,054	15,054	3
3,875	- Payments to Lincs County Council	-	3,370	3,370	3
142	- Cost of Collection	-	139	139	
6	- Transitional Relief Payments	-	-	-	
Bad and Doubtful Debts					
354	- Provisions	454	73	527	
175	- Write Offs	142	200	342	
(536)	- Provision for appeals	-	(3,147)	(3,147)	
(10,147)	Transfer of Collection Fund Surplus	(927)	1,705	778	4
79,347		52,545	36,605	89,150	
(11,255)	Deficit / (Surplus) for the year	(550)	1,606	1,056	
COLLECTION FUND BALANCE					
10,285	Balance brought forward at 1 st April	831	(1,801)	(970)	
(11,255)	Deficit/(Surplus) for the year (as above)	(550)	1,606	1,056	
(970)	Balance carried forward at 31st March	281	(195)	86	
Allocated to:					
(598)	- City of Lincoln Council	41	(78)	(37)	
415	- Lincolnshire County Council	201	(20)	181	
114	- Police & Crime Comm. Lincolnshire	39	-	39	
(900)	- Government	-	(97)	(97)	
(970)		281	(195)	86	

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 2023/24, the City of Lincoln's proportionate share remained consistent with that of 2022/23, as follows:

	2022/23 'Pool'
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 2023/24 was 25,249.48 (25,310.01 in 2022/23). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2022/23 was approved at the Executive on 21st February 2022 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	51	22	12
A	6/9	26,045	17,701	11,801
B	7/9	8,626	7,411	5,764
C	8/9	4,702	4,202	3,735
D	9/9	2,431	2,257	2,257
E	11/9	1,116	1,053	1,287
F	13/9	389	370	534
G	15/9	137	134	224
H	18/9	16	11	22
Total		43,513	33,161	25,636
Deduction for Non-Collection				(449)
Crown Properties Adjustment				62
Tax Base for the Calculation of Council Tax				25,249

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 2023/24 was £52,971m (£50,192m in 2022/23).

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 2023/24, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

	2022/23 'Pool'	2023/24 'Pool'
City of Lincoln	40%	40%
Lincolnshire County Council	10%	10%
Central Government	50%	50%

The business rates shares payable for 2023/24 were estimated before the start of the financial year as £18.818m (£19.376m in 2022/23) to Central Government, £3.764m (£3.875m in 2022/23) to LCC and £15.054m (£15.501m in 2022/23) to the City of Lincoln Council. These sums have been paid in 2023/24 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 2023/24 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of £12.209m (£13.094m in 2022/23).

The total income from business rate payers collected in 2023/24 was £33.466m (£40.286m in 2022/23).

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 £3.660m (£3.528m in 2022/23). 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 2023/24.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31st March 2024. 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 2023/24 has been calculated at £3.147m (£0.536m was withdrawn in 2022/23).

For 2023/24, the total non-domestic rateable value at the year-end is £108.7m (£111.7m in 2022/23). The national multipliers for 2023/24 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 2022/23).

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 2023 it was estimated that the Collection Fund would have a Council Tax deficit of £0.927m (£0.037m deficit in January 2022) and a Business Rates surplus of £1.705m (£10.110m deficit in January 2022), a combined Collection Fund surplus of £0.778m (£10.147m deficit in January 2022) and so the following amounts were due to or from the preceptors in 2023/24:

2022/23 £'000		2023/24 £'000
4,050	City of Lincoln Council	(546)
1,038	Lincolnshire County Council	493
4	Police & Crime Comm. Lincolnshire	127
5,055	Central Government	(852)
10,147	Total	(778)

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

DRAFT



Annual Governance Statement





Introduction

We want to make Lincoln the best place to live, raise a family, work and do business.

Our vision to deliver Lincoln's ambitious future is underpinned by five strategic priorities →

Delivering these priorities requires good governance, for all our residents, businesses, visitors, employees and Councillors. 'Good governance' is about how we ensure we are doing the right things, in the right way, for the right people, and that we do this in a timely, inclusive, open, honest and accountable manner. It means that we conduct ourselves in accordance with the law and proper standards, and that we safeguard public money by using it economically, efficiently and effectively.



We must, to ensure we provide good governance, put in place proper governance arrangements to manage our affairs. We must ensure there is a sound system of governance, including effective internal controls, and that this is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016". We also have a duty, under the Local Government Act 1999, to secure continuous improvement in the way we carry out our functions.

The last few years have been very challenging, both for the Council and for the city, and we are extremely proud of all the Council has achieved during this time. Like most councils we continue to face substantial funding pressures, with cost-of-living and inflationary challenges alongside new and increasing demands on council services dominating the past couple of years, at a time when longer term recovery from the Covid-19 pandemic remains a priority. As we move towards the end of Vision 2025 and prepare for Vision 2030, we remain committed to being financially sustainable and delivering our One Council approach, transforming and protecting access to our services by investing in technology, and making them as efficient and effective as they can be.

This Annual Governance Statement looks honestly, and transparently, at how effective our governance has been during 2023/24 and sets out the ways we can further improve. By ensuring good governance, we can continue to evolve and innovate and deliver Lincoln's ambitious future.

This AGS comprises three Parts. Part 1 summarises the overall effectiveness of our governance framework in 2023/24, and Part 2 reviews how we have met the requirements of our 'Code of Corporate Governance' as it was applied in the last 12 months, what's working well, and what we can do to further improve our governance. Part 3 is an action plan for the steps we take over the next 12 months to further enhance our governance.

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Statement of Opinion

The Council's governance arrangements are under continual review, and we are pleased to confirm our opinion that these arrangements in 2023/24 were sound and provided an effective means of achieving our priorities. We have not identified any significant governance issues during 2023/24. The Council will continue to monitor the effectiveness of its governance arrangements to enable the identification of new and emerging issues throughout the coming year.



Cllr Naomi Tweddle, Leader
(commencing 14th May 2024):

Date:



Angela Andrews, Chief Executive:

Date:

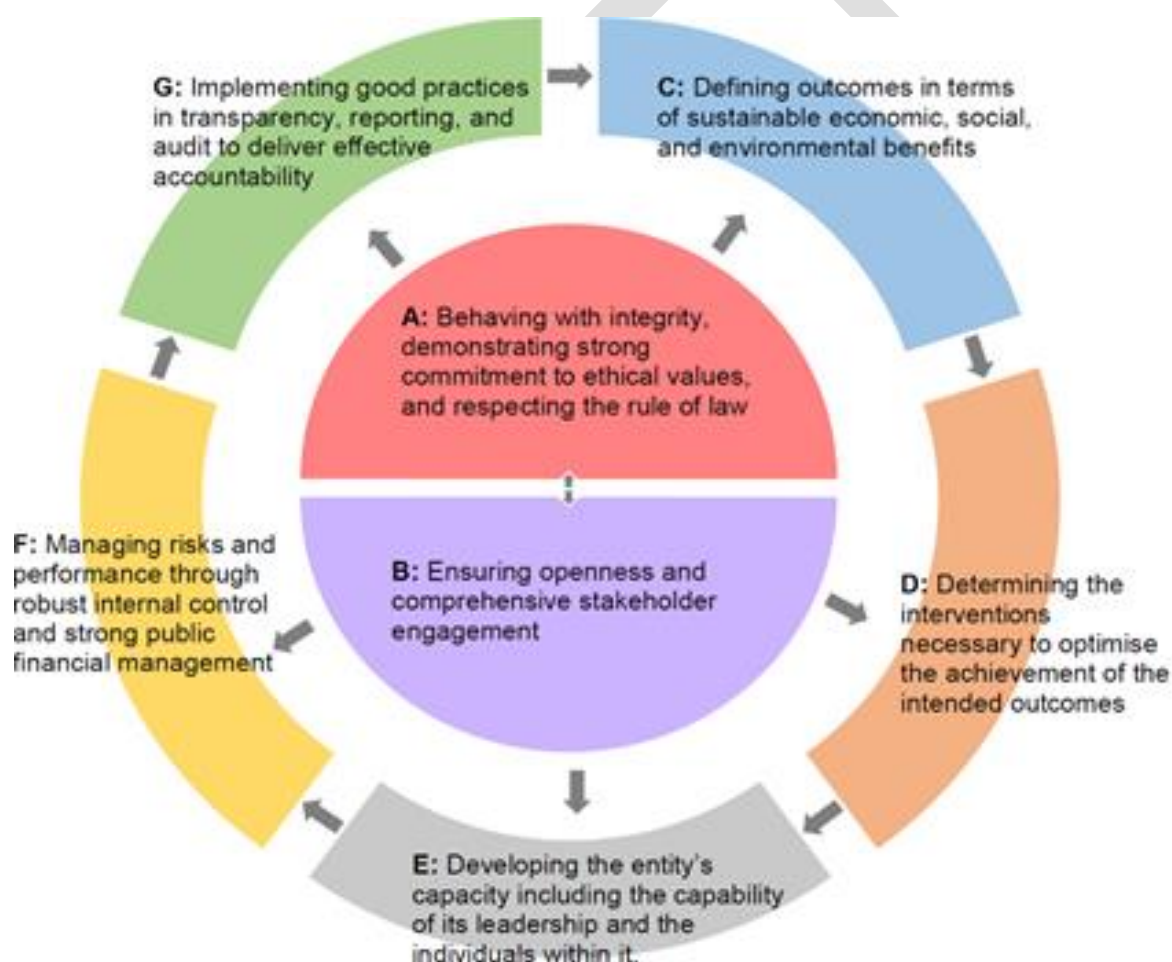


Part 1: Our Governance Framework

How we meet our governance responsibilities is defined in our Code of Corporate Governance. Our Code is updated annually and is based on the principles of CIPFA's "Delivering Good Governance in Local Government Framework 2016".

Our Code sets out the strategies, policies, systems and processes we use to control how we operate and defines our cultures and values. It enables us to effectively monitor achievement of our strategic objectives, and to measure how we deliver value for money in our services.

Our Code is based on seven core principles:



Responsibility for governance rests with a range of bodies and structures, summarised below:

Council

Council consists of all 33 councillors who decide our strategic plan (currently Vision 2025), our Constitution and our overall policy and budget framework. It appoints the Leader, Executive, and membership of our scrutiny committees. The Ethics and Engagement Committee are also appointed by Council, and ensures all members receive advice and training on our Code of Conduct. Each member of the council represents the best interests of both their own wards and the city as a whole and are directly accountable to their constituents.

Leader and Executive

Executive comprises the Leader plus 5 further members, and is responsible for making most significant council decisions. Each Executive member has a portfolio; five of these align closely with our Vision 2025 Priorities, plus an additional portfolio for 'Customer Experience and Review'.

Corporate Management Team and statutory officers

The Chief Executive (CX) is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT). CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community.

The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government.

The City Solicitor is the council's Monitoring Officer and is responsible for ensuring compliance with the law, good governance and promoting high standards of conduct.

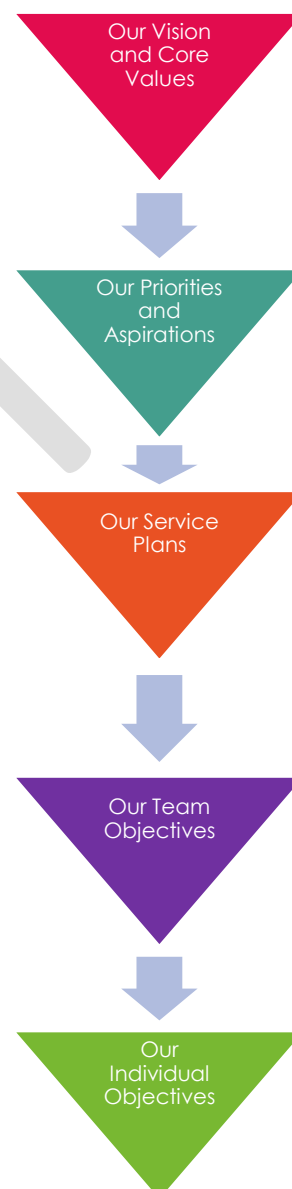
Scrutiny and audit committees

Our scrutiny committees consist of non-Executive councillors, and their role is to scrutinise and, where appropriate, challenge the decisions and performance of the Executive. Our scrutiny committees also scrutinise the decisions and performance of partnerships and other public bodies. We have four scrutiny committees:

- Performance Scrutiny Committee (including Housing Scrutiny Sub-Committee)
- Policy Scrutiny Committee
- Community Leadership Scrutiny Committee
- Select Committee

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

Our Audit Committee is responsible for providing independent assurance to Council of the adequacy of our governance, financial management, risk management framework and internal control environment.



Our Constitution updated regularly and is available [here](#).

Impact of Covid-19 on our governance

It has now been four years since the first lockdowns of the Covid-19 pandemic. The pandemic caused major disruption to the Council's day-to-day operations, and has had a lasting impact on how we deliver services to our residents and local businesses. The steps we have taken over the past four years have fully embedded these new

ways of working, and we now have enhanced business continuity procedures, an IT Disaster Recovery Plan, and renewed governance arrangements that ensure we are prepared for future extraordinary events should they emerge.

Internal and External Assurance

Head of Internal Audit

The Head of Internal Audit is required annually to provide an opinion on the overall effectiveness of the Council's governance, risk and control framework and the extent to which these can be relied upon. In 2023/24 the Council was provided with the following levels of assurance:-

Performing Well	Performing	Adequately
Governance	Internal Control	
Risk		
Financial Control		

There were no significant governance issues raised within the audits completed. There were two Limited reports issued, both of which have been included as areas to watch within this Annual Governance Statement. Internal Control has been given a slightly lower level of assurance due to the results of the audits undertaken and the results of the combined assurance work. There has been no change from the opinions given in 2022/23.

The audit plan in 2023/24 was again reduced due to a temporary shortfall in staffing resource. We have now successfully appointed to the Auditor post and are progressing with the recruitment for the Principal post. In the interim we have a contract in place with an external provider to provide resources as required.

Internal audits completed in 2023/24 include:

- Staff Wellbeing – substantial
- Housing Repairs – substantial
- Insurance – substantial
- Creditors – substantial
- NNDR – substantial
- Staff recruitment – substantial
- HB subsidy – substantial
- Contract Management – indicative limited
- IT Asset Management – indicative limited
- Treasury Management – Indicative substantial
- Governance H/C – indicative substantial
- Cyber security – indicative substantial
- Digital – indicative substantial
- Follow-ups – indicative high

The findings from these audits have been reported to the Audit Committee during the year. Progress on implementing the actions arising from the reports are also reported to the Audit Committee throughout the year.

External Audit Annual Opinion

Our most recent External Audit Annual Opinion was published in January 2024, and relates to the financial year 2022/23.

A copy of this Annual Opinion encompasses our Statement of Accounts for 2022/23, our Value for Money arrangements and our wider reporting responsibilities. The Annual Opinion states that:

- The Council's Statement of Accounts was legally compliant;
- No indicators were identified of any significant weaknesses in the Council's Value for Money arrangements; and
- No indicators were identified of any significant weaknesses in the Council's Governance arrangements

A copy of this Annual Opinion is available [here](#).

The CIPFA Financial Management Code 2019 (FM Code)

In December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (the FM Code), providing guidance for good and sustainable financial management in local authorities. The FM Code aims to assist local authorities to demonstrate their financial sustainability through a set of seventeen financial management standards.

CIPFA guidance issued in February 2021 requires Annual Governance Statements to now include an overall conclusion of the assessment of the organisation's compliance with these standards. An assessment against the FM Code was most recently undertaken and reported to the Audit Committee in March 2024, confirming an overall substantial level of compliance (65%), with six identified areas for improvement (35%). These six areas were:

Ref	Standard/description	RAG	Action
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.		To update VFM Statement and incorporate with new Productivity Plan requirements – Jul 24
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.		To continue to support professional development – ongoing. To recruit to remaining Finance role to ensure fully resourced – Apr 24
C	The leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.		To revise Contract Procedure Rules – Dec 24
E	The financial management style of the authority supports financial sustainability		Review Finance Business Partnering Action Plan – Mar 25
F	The authority has carried out a credible and transparent financial resilience		Consider options for an independent financial

	assessment.		resilience assessment – Dec 24
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.		Further development of engagement approach for budget/strategic plan consultation – Nov 24

No areas were identified as having minimum compliance.

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

Our full assessment against the FM Code is available [here](#).

Significant governance issues monitored in 2023/24

There were no ongoing significant governance issues to monitor during 2023/24.

New significant governance issues identified in this AGS

Significant governance issues are those that present high financial, reputational or political risks to the Council.

We did not identify any significant governance issues during 2023/24, however we did identify some governance issues that do not meet the 'significant' threshold.

New governance issues that require monitoring, but do not meet the 'significant' governance issue' threshold

We have identified the following six issues for monitoring over the next 12 months:

- An internal audit of Contract Management has been given 'limited assurance', due to some contracts not being managed consistently. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Monitoring Officer.
- An internal audit of IT Asset Management has been given 'limited assurance'. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Assistant Director for Transformation and Strategic Development.
- Our project governance arrangements need to be reviewed and updated, to ensure that all projects are being implemented in full accordance with the Lincoln Project Management Model (LPMM) and that use of the LPMM is consistent. The LPMM is undergoing a full review over the coming year and has been included in the action plan in Part 3 of this AGS.

- There is an ongoing need for all directorates to ensure financial, legal and procurement advice is sought for projects in a timely manner. This will continue to be monitored by the Chief Finance Officer and Monitoring Officer.
- There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges. This will continue to be monitored by our Organisational Development group.
- The Lincoln Performance Management Framework needs to be refreshed, following an internal audit of Performance Management. Works are in progress to complete this work in 2024/25 so it coincides with the launch of our Vision 2030 strategic plan, and this will be monitored quarterly by the Audit Committee and overseen by the Assistant Director for Transformation and Strategic Development.

Conclusion

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.




No significant governance issues were identified in 2023/24. The Council will continue to monitor the effectiveness of its governance arrangements throughout the coming year, to enable the identification of new and emerging issues.

A detailed assessment of how we applied our Code in 2023/24 is provided in Part 2 of this document.




Part 2: Assessment of our Core Principles


What our definitions mean:

Assurance rating	Interpretation
 Acceptable	There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support both compliance with requirements of the CIPFA principle and the achievement of the council's aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework.
 Some development or areas for improvement	Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address these matters.
 Key development or many areas for improvement	Significant challenges have been identified which may impact the effectiveness of elements of the our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> We undertook a scheduled annual update of our Code of Corporate Governance We continued to monitor our compliance with the Subsidy Control Act 2022 as projects commence We continued to review our compliance with the Elections Act 2022 as the commencement orders came into place We reviewed and updated CIPFA guidance for Audit Committees, including a review of the Terms of Reference of the Audit Committee to ensure they remain compliant with best practice 	<ul style="list-style-type: none"> Ethical values, standards and formal codes of conduct are defined in our Constitution and form the basis for developing our policies, procedures, and the behaviour of our Members and employees. We have appropriate processes in place to ensure that Members and employees are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the rights of employees. All Council decisions consider legal and equality implications with support from our Legal Services team. Our Constitution is regularly updated to ensure it remains fit for purpose and meets the needs of the city and its residents Our Audit Committee includes an independent Member, and provides assurance on the adequacy of our internal control environment by ensuring high standards of conduct are embedded within the Council's culture. The Committee also monitors all governance issues raised, and oversees our internal and external audit arrangements. We have, after a protracted period of recruitment difficulties, successfully appointed to one of our two internal auditor posts that will support the Audit Manager in their role. Additional capacity is being sourced via external consultants, to ensure we are able to meet our internal audit demands and monitor combined assurance. We recruited a new Legal Services Manager in 2023/24 We have a robust approach to information governance. Our Data Protection Officer is highly visible within the Council, and ICO guidance is shared with all service areas to ensure staff at all levels receive appropriate training and feedback if data breaches occur. 	<p>Our Counter Fraud Policy and Procedures are currently being updated to ensure they remain sufficiently robust</p> <p>We will be updating our approach to Equality Impact Assessment over the coming year</p> <p>An internal audit of our Contract Management arrangements has received 'limited assurance' due to some of our contracts not being managed consistently. Significant steps have already been undertaken to address these internal audit findings, with further progress to be made during the coming year.</p>	


Core Principle B: Ensuring openness and comprehensive stakeholder engagement

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Finalised the review of our Consultation and Engagement staff guidance Completed a review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City Created a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community Explored further options for engaging with stakeholders on budget consultations Continued to develop more permanent and usable feedback systems for services. 	<ul style="list-style-type: none"> The Council makes sure our partners in the private, public and voluntary sector, as well individual citizens and service users, are engaged in and have full access to information relating to decision making. We expect reports to decision makers to be open, to provide all the necessary material to ensure informed decisions are made that are in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration. We have improved our Citizens' Panel processes to include feedback loops so respondents can find out how their feedback has influenced/changed how we operate. We have begun to reintroduce different engagement methods, acknowledging the extent of digital deprivation in some parts of the city and that some of our stakeholders prefer more personal forms of customer engagement. 	<ul style="list-style-type: none"> Following a successful budget consultation that incorporated alternative forms of stakeholder engagement, we will be updating our internal Consultation and Engagement Staff Guidance in 2024/25 We will continue to develop more permanent and usable feedback systems for our services We want to further incorporate Citizens' Panel feedback into our formal decision making and, where available, use equality and diversity data to demonstrate how survey respondents' profiles compare to our city's makeup (evidenced in the Lincoln City Profile) We intend to further develop our approach to engagement on our budget and strategic planning processes, including how we consult on Vision 2030. 	


Core Principle C: Defining outcomes in terms of their sustainable economic, social and environmental benefits

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

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


What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> • Further progressed implementation of Phases 1a and development of 1b of Western Growth Corridor • Progressed further the implementation of the place strategy for Park Ward/Sincil Bank • Finalised our 30-year Housing Revenue Account Business Plan for the period 2023 – 2053 • Completed our detailed analysis of 2021 Census data to support robust, evidence-based decision making • Reviewed our progress and achievements against Vision 2025, in preparation for development of Vision 2030 	<ul style="list-style-type: none"> • We have good internal controls for implementing programmes/projects, monitoring progress against major developments, and competing for funding streams in a way that best benefits the city including Western Growth Corridor, regeneration of Lincoln Central Market, new council homes on Hermit Street, UKSPF projects and preparatory stages of the redevelopment of Greyfriars. • Our 'Vision Boards' regularly review progress of objectives derived from our strategic priorities, ensuring our corporate Vision stays relevant and on track. • All Executive Members provide an annual report to Performance Scrutiny Committee and Council on progress against their portfolios • Our annual Lincoln City Profile helps us to demonstrate we understand our city's demographics 	<ul style="list-style-type: none"> • Continue to evolve the Lincoln City Profile, so it provides the most useful datasets to help us understand our city and the key issues that should inform our decisions • Embed the Lincoln City Profile into our scrutiny processes, to support improved decision making based on our city's makeup. 	

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes


What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Adopted a new IT Disaster Recovery Plan Undertook a further review of our business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan. Reviewed the Council's Risk Management Strategy and provided refresher training to Members and officers Updated our Business Continuity Policy and Strategy Refreshed our Business Continuity Plans for critical services. 	<ul style="list-style-type: none"> The Council clearly defines its priorities and plans to ensure delivery of their intended outcomes. Service plans are now in place to cover the period ending March 2025. Work has continued to ensure robust management of the Council's services, and most projects continue to utilise the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes The Council's financial management arrangements ensure that there is adequate resource available to deliver our plans. The Council reviews progress against delivering those outcomes through its performance management framework.. As the only urban conurbation in a predominantly rural county, Lincoln is disproportionately affected by homelessness compared to its district neighbours. The Council's financial plans are significantly impacted by arranging temporary accommodation for those to whom we owe a legal duty, and shortages of temporary accommodation in the city mean that our costs exceed the local housing allowance we receive from government. We have been, and are continuing to explore all options to manage this strategic issue, both to make the most effective use of our finite resources and to ensure the best outcomes for our most vulnerable people. Brought together key roles responsible for business intelligence, business analysis, online services, and policy and performance management into a new Corporate Policy and Transformation Team. 	<ul style="list-style-type: none"> There is some inconsistency in the way the Lincoln Project Management Model is applied across the Council. Work will progress in the coming year to ensure that all qualifying council projects utilise the LPMM, and to develop an effective means of monitoring these more centrally. Review the LPMM to ensure it continues to support effective project governance Complete a new five year ICT Strategy that will replace our current strategy Review our existing ICT Disaster Recovery Plan in light of the forthcoming ICT Strategy An internal audit of IT Asset Management indicates that actions are required in order to ensure we are appropriately managing all risks associated with the keeping and renewal of IT assets. Renew our online offer to all stakeholders, to widen digital access to information and services and improve the experience of our customers who are more digitally excluded. Develop a corporate Business Transformation Plan 	

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
		<ul style="list-style-type: none"> Test our business continuity systems through desktop exercises throughout 2024 	

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it


What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Continued to build on employee retention and professional training opportunities for our employees Reviewed the Council's Our People Strategy Continued implementing our Organisational Development Action Plan, including a needs and skills gap analysis 	<ul style="list-style-type: none"> The Council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve our objectives. Under our One Council approach, we have in place an organisational development pillar that aims to ensure our workforce has the necessary skills and behaviours to deliver our Vision for the city, and is effectively engaged to champion the Council's corporate priorities. Partnership working extends capacity for key projects to be delivered beyond the Council's own resources and is embedded within our Vision 2025 objectives. Local government continues to be a very competitive labour market, and we are exploring a range of avenues to improve recruitment, retention and succession planning, and skills. 	<ul style="list-style-type: none"> We still continue to experience recruitment challenges across multiple service areas including trades/skilled operatives, technical administrative posts and some professional/chartered roles. This continues to cause capacity issues in some of our frontline and professional services. We also continue to experience significant capacity issues in some of our corporate/central services, such as legal, finance, property and audit. These capacity issues will affect our front line services. 	

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Commenced a review of our Contract Procedure Rules upon enactment of the Procurement Act Undertook a benchmarking exercise to review our treasury management strategy and prudential indicators reporting against best practice Introduced quarterly reporting of our treasury management activities Implemented the majority of actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code Updated Audit Committee Terms of Reference following latest CIPFA guidance Reviewed effectiveness of the Audit Committee, with an action plan to enable regular monitoring through the Committee Completed a review of the effectiveness of our internal audit arrangements Refreshed our Risk Management Strategy (also referenced in Core Principle D) 	<ul style="list-style-type: none"> 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. Robust and thorough performance management system in place, which is high profile among Members and officers. Both annual performance target setting and quarterly performance reporting are well scrutinised, and officers across the council are actively engaged in the performance process. Performance data is used to identify opportunities for service improvements. Recent restructuring of performance management functions has helped deliver consistency of approach when reporting performance. This will continue to be strengthened over the coming year. Recent inclusion of DMD performance measures in quarterly performance reporting, to assess delivery of growth objectives and track progress of major developments/regeneration. The strategic risk register is updated, scrutinised and reported quarterly, and directorate risk registers are regularly reviewed and updated to reflect changing conditions. Accounts have been externally audited, providing external assurance of the council's financial position and confirmation that internal controls are effective Internal controls are in place to ensure all corporate strategies, policies and other key documents are reviewed regularly Comprehensive and targeted 'Towards Financial Sustainability' programme in place, to ensure the council's 	<ul style="list-style-type: none"> Provide refresher training to all officers with budget responsibility on Financial Procedure Rules and budget management, and continue to develop a business partnering approach to financial management Streamline collection and presentation of performance management information, to further improve our capacity for analysis to drive performance improvement Update the Lincoln Performance Management Framework, to reflect current LGA best practice and emerging advice from Oflog Publish our Productivity Plan, and refresh our Value for Money Statement Undertake skills and knowledge assessments with Audit Committee members, followed by development of a training plan. This will also include a specific focus on Treasury Management skills and knowledge, behaviours and compliance with the CIPFA guide. Complete remaining actions within CIPFA FM financial assessment, and consider options 	

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
	<p>ongoing resilience. This is closely monitored, and reported quarterly to Members through financial and treasury management reporting and via the strategic risk register.</p> <ul style="list-style-type: none"> Regular monitoring of Internal audit agreed actions to ensure implemented and a sample checked to ensure the control environment has been strengthened. Results reported to the Audit Committee. 	<p>to undertake an external financial resilience assessment.</p>	

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
<ul style="list-style-type: none"> Improved our performance management process through introduction of documented measure control, sign off/authorisation processes and consistency of reporting across all directorates Incorporated performance measures for the Major Developments Directorate Initial review of the Lincoln Performance management Framework Completed a review of the effectiveness of the Audit Committee, and created an action plan for regular monitoring through the Committee Completed a review of the effectiveness of Internal Audit, with an action plan for regular monitoring through the Audit Committee 	<ul style="list-style-type: none"> We recognise that effective accountability is concerned not only with reporting on actions completed, but also ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of our Performance Management Framework (LPMF). Our LPMF is currently under review, with a new version to coincide with launch of Vision 2030. Actions arising from the AGS are monitored by the Audit Committee, and progress reported. Forward plans for key committee meetings, including Audit Committee, are published well in advance and routinely updated. This includes regular reporting on both internal and external audit activity Annual review and reporting of assurances linked to key partnerships for which the council is a member, and active participation in partnerships to ensure the city is appropriately represented. Good internal mechanisms for capturing and reporting information required to be published by the Local Government Transparency Code 2015. Effective management and oversight of all aspects of the Lincoln Community Lottery, including auditing of registered good causes Positive and proactive approach to the scrutiny, with strong Member engagement in the process. This includes quarterly scrutiny of financial and treasury management. Robust approach to assurance mapping, led by the Head of Internal Audit Regular reporting of corporate complaints data 	<ul style="list-style-type: none"> Update the Lincoln Performance Management Framework and how this can best support Vision 2030 	



Part 3: Action Plan

This section lists the actions required to address the governance issues highlighted in Part 1 of this AGS, where no actions currently exist within the Council's governance framework to address them.

There are no significant governance issues identified in this AGS. Five of the six governance issues to be monitored over the coming year already have actions associated with them either through the internal audit and review process, or within existing plans and strategies.

The action plan for this AGS therefore contains only one action:

Ref.	Action	By Whom	By When	Core Principle
AGS/24/01	Complete a full review of the Lincoln Project Management Model (LPMM)	Business Manager – Corporate Policy and Transformation	March 2025	D

AGS - GLOSSARY OF TERMS USED

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

GLOSSARY

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CLAW-BACK

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FAIR VALUE INPUT LEVELS

Basis for recurring fair value measurements:

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

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount in the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NON-OPERATIONAL ASSETS

Assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.

SUBJECT: EXTERNAL AUDIT: DRAFT VALUE FOR MONEY RISK ASSESSMENT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To present the External Audit Draft Value for Money Risk Assessment, for the year ending 31 March 2024, to Audit Committee.

2. Background

- 2.1 The External Auditor provides an Audit Plan and Strategy ahead of each external audit along with periodic update reports to the Audit Committee. The Audit Plan and Strategy for the year ending 31 March 2024 were presented to Audit Committee on 19 March 2024, at that time the Value for Money Risk Assessment was not included in the report.

3. External Audit Progress Report

- 3.1 It is the responsibility of the Council's External Auditors, KPMG, to assess whether there are any significant weaknesses in the Council's arrangements to secure Value for Money. In undertaking the risk assessment KPMG are required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements.
- 3.2 KPMG have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. Based on these procedures the table below summarises their draft assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant Risk Identified
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risk identified

- 3.3 External Audit will be in attendance at the meeting to present the progress report.

4. Strategic Priorities

- 4.1 There are no direct implications for the Council's strategic priorities. The external audit of the Council's financial statements and VFM conclusion is a statutory

requirement and as such contributes towards the fitness for purpose of the Council's governance arrangements.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

The Audit fee for 2023/24 is £139,722, set in accordance with the scale fees set by the PSAA. The fee includes work on the VFM conclusion and the audit of the financial statements. Variations are still likely to be incurred for new requirements of ISA315 (risk of material misstatement) or ISA240 (auditors responsibilities relating to fraud). The fees also assume no significant risks are identified as part of the VFM risk assessment. Additional fees in relation to these areas will be subject to the fee variation process as outlined by the PSAA.

5.2 Legal Implications including Procurement Rules

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

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

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

6. Risk Implications

- 6.1 There are no specific risk implications arising as a direct result of this report. The Audit Plan and Strategy sets out the key risks including Value for Money, as identified by the External Auditor, relevant to the audit of the financial statements and VFM conclusion.

7. Recommendation

- 7.1 Audit Committee are asked to note the content of the Draft Value for Money Risk Assessment.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	One
List of Background Papers:	None

Lead Officer:	Jaclyn Gibson, Chief Finance Officer Email: jaclyn.gibson@lincoln.gov.uk
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City of Lincoln Council

DRAFT - Report to the Audit Committee

VFM risk assessment for the year ending 31 March 2024

May 2024

Introduction

To the Audit Committee
of City of Lincoln Council

We are pleased to have the opportunity to meet with you on 04 June 2024 to discuss our audit of City of Lincoln Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this risk assessment will remain draft until the finalisation of that Code.

This report outlines our risk assessment for our VFM responsibilities. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Value for money	3
Summary of risk assessment	5
VFM arrangements	6

The engagement team

Rashpal Khangura is the engagement director on the audit. He has over 20 years experience in public sector audit.

Rashpal Khangura shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include engagement manager John Blewett and in-charge Dominic Kular with 7 years and 3 years of experience respectively.

Yours sincerely,

RS Khangura

Rashpal Khangura

Director - KPMG LLP

xx May 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of City of Lincoln Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Value for money

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For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

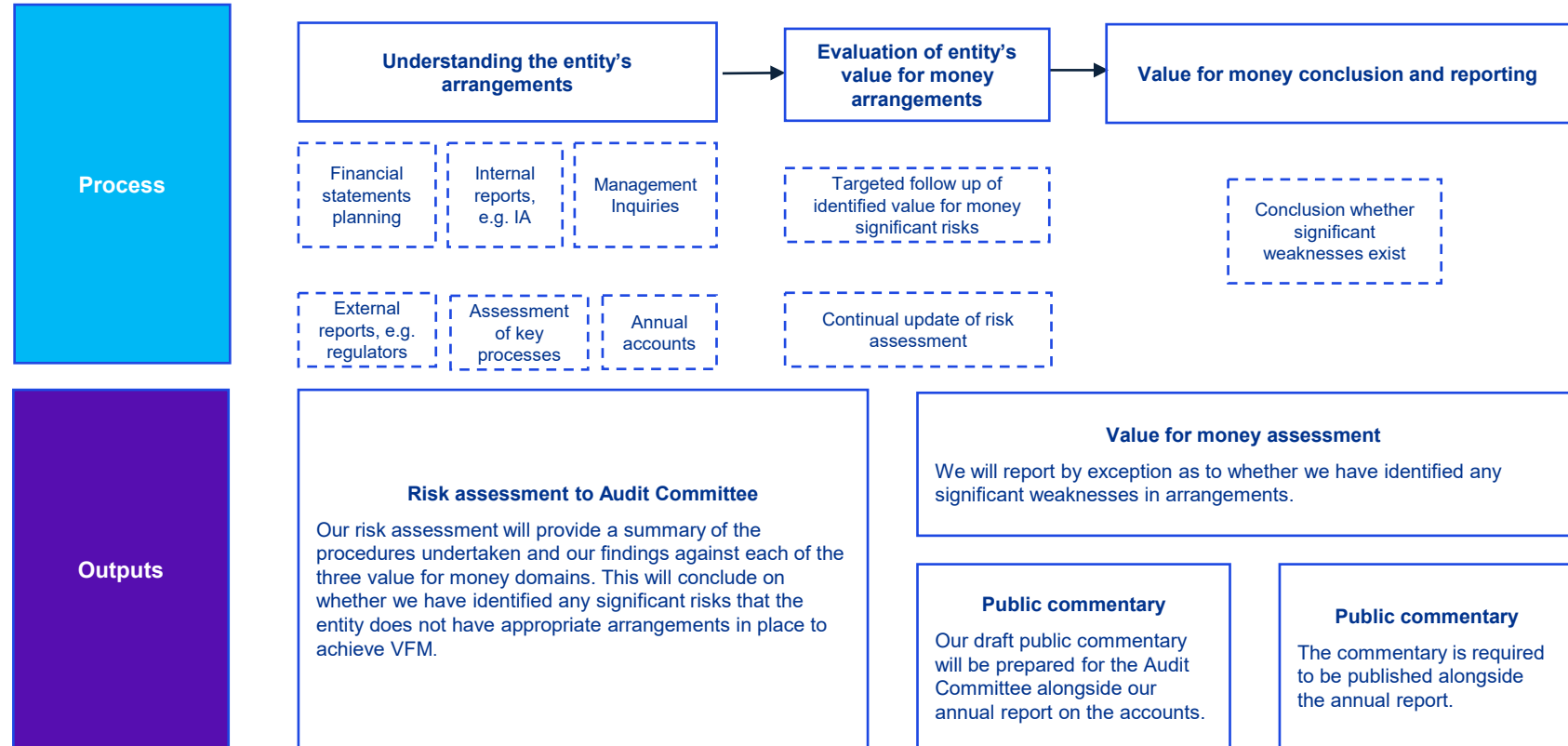
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:



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Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risk identified

As a result of our draft risk assessment to date, we have not identified any significant risks at this stage.

Value for money arrangements

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Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan

Summary of risk assessment

- The budget setting process is a rolling process as part of the Medium Term Financial Strategy, this usually starts in the autumn of the previous year. For 2023-24, the preparation of the budget began in October 2022 with draft budgets approved January 2023. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process. Budgets are initially prepared at a service level with budget managers producing initial expectations of requirements using their knowledge of the directorate through ongoing budget planning meetings. Discussions with finance teams in both these services identified that detailed analysis on both demographic pressures and inflationary pressures (specifically with regard to external providers) are considered during the initial budget preparation stage. It is during this initial preparation at the service level that potential savings programmes are also identified and reviewed.
- Service budgets are directorate driven and an iterative process of budget proposals considered by each of the Assistant Directors for their services. This is then presented to the Directorate Management Team (DMT) for challenge by the Director. Agreed Directorate proposals are then presented to Corporate Management Team (CMT) for challenge and agreement or not for inclusion in the budget. The Finance Team are involved in all of these stages and also provide independent challenge to the Directorates. CMT consider, and challenge, the CFO's proposals for underlying assumptions and resources assumptions. Budget Scrutiny Review Group provide cross party challenge of the budget and MTFS proposals. Communications take place prior to setting the budgets to allow review and challenge of any assumptions.
- Budget monitoring is performed quarterly, with reports provided to Directorate Management Teams, Corporate Management Teams, Executive, Council and these reports set out the current situation relative to budget and movements since the previous reports. They also cover the forecast for the remainder of the year. The Finance Team meet with budget holders to agree forecast outturn positions these are then agreed with ADs. These are detailed through quarterly monitoring reports which are completed by the DMTs. The overall position is then presented to CMT for agreement prior to reporting to Members

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Value for money arrangements

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Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan

- For 2023-24, the Council set a balanced budget, with a small planned surplus of £191k in General Fund. At quarter three, the Council forecasted an underspend of £290k which was a further improvement on £118k underspend as at quarter two. The key drivers of these positive movements in the forecast were increased invest income due to high interest rates (£504k) and increased car park income (£122k). These were offset by some cost increases in areas such as the National Pay Award of £440k. Overall the Council is expecting closing General Fund reserves of £2.52m, which is above the Council's stated prudent minimum range of c.£1.5-£2m.
- As part of the Council's Toward Financial Sustainability Programme (TFS), the 2023-24 plan included the requirement to deliver savings of £185k. Savings plans are developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as detailed above. Performance against the TFS target is monitored by CMT and reported quarterly to Performance Scrutiny as part of the monitoring process. Actions identified where projects fall behind plan are done through CMT as well as by individuals through project management. At quarter three, the Council was reporting secured savings total £126k for the General Fund, with a further £122k identified, resulting in a planned over-achievement of £62k in year. This demonstrates the Council's arrangements are operating effectively.
- Under TFS, the Council has then identified outstanding savings total for each of the coming years in the 4 year plan. The Council has a continuous process to identify savings and we will update our risk assessment as the audit progresses.
- The Council's Risk Management Policy details a clear process and reporting structure in how the entity is to respond and manage risks. The Council maintains a Strategic Risk Register (SRR) to identify and assess risks – including those relating to financial sustainability. The SRR is reviewed on a quarterly basis by Performance Scrutiny Committee and the Audit Committee has overall responsibility for oversight of the register, receiving assurance through the annual report on risk management. Various risks relating to financial sustainability have been identified by the Council including risks related to future financial deficits and continued inflationary pressures.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

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Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

- Risks are identified in line with the Council's Risk Management Strategy. This includes quarterly reviews of Strategic and Directorate registers where new risks are considered and escalated where necessary. Assessing the impact and likelihood of each risk is done as through a matrix which uses a likelihood/impact model to calculate a risk score. The score is assigned as per the strategy guidance. Challenge comes through a range of officer involvement through project boards. Support is also bought in from the County Council Risk Management Service as required to provide further support and challenge.
- The Strategic risk register is presented to Performance Scrutiny and Executive on a Quarterly Basis. During the Q2 monitoring there were 14 risks contained within the strategic risk register; 6 were rated high (almost certain/critical) and 8 were rated medium (probable/major). The development of actions is completed using the Risk management strategy Toolkit. Actions use the avoid/modify/transfer/retain matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. The Strategic Risk Register is presented to Performance Scrutiny on a quarterly basis who are asked to consider the register and report any comments/issues to the Executive who also receive the register. Committee reports for all key decisions are required to set out the key risk associated with the proposed decision. This is a mandatory requirement.
- The Council undertake a number of measures to prevent and detect fraud. There is a Counter Fraud policy and strategy which complies with the requirements of the code, this sets out key actions for the Council to ensure compliance. We note a review is currently underway of the policy and strategy. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Audit Committee including the counter fraud action plan and fraud risk register. The Council is also part of the Lincolnshire Counter Fraud Partnership which shares good practice and provides advice.
- The 2023-24 financial plan, as part of the MTFs, went through several levels of review prior to approval by the Council in February 2023. The MTFs includes a risk assessment of the key financial risks that the Council faces over the 5-year period. These risks are modelled to include inflation, council tax base, business rates base, pay inflation, interest rates etc. The MTFs also includes a section on Financial Resilience/Scenario Planning and Reserves.

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Value for money arrangements

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Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

- Financial performance is monitored against budget regularly as outlined in the Financial Sustainability section. As part of reporting to Performance and Scrutiny Committee, variances against budget are clearly identified and explained. Any mitigating actions are also identified. During 2023/24 the Council has been able to manage increases in costs with increased income and continues to report an underspend for the year.
- The City Solicitor, in the role of Monitoring Officer, is responsible for monitoring compliance with all relevant/applicable legal requirements. All Executive reports are subject to mandatory consultation with Legal Services and Financial Services, with those more contentious decisions seeking sign off by the Section 151 officer and Monitoring Officer. Where required Executive Reports are supported by Equality Impact Assessments. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.
- The Council's Code of Conduct communicates values and expected behaviours of staff, this is covered through the Code of Conduct, Disciplinary Policy, Dignity and Work Policy and Probation Policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regard to gifts and hospitality and the register of interests. There are a number of other policies available to view on the Council's website as well as the Constitution.
- Our risk assessment procedures and management inquiries confirm the Council has appropriate arrangements in place to ensure scrutiny, challenge and transparency of decision making. Key decision making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as Audit and Performance and Scrutiny, followed by formal approval by the Council. All key decision records are available to view on the Council's website.
- A key project at the Council is the Western Growth Corridor project. The project involves plans for a major housing development in the city in partnership with the adjoining landowner with whom there is a Delivery Agreement outlining key milestones and targets. Given the scale of this project the Council has established further governance arrangements for this project. The Council has individual and joint project Boards, with clear terms of reference, detailing the instruments through which compliance and is ensured and enforced. There are suitable risk registers in place, designed as described earlier, which are reviewed and monitored by the joint and individual project Boards. These Boards also report regularly through the year to CMT. As this project proceeds, the level of activity, and potential risk, will increase and the Council will need to develop and change its governance processes to ensure it's arrangements remain appropriate.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with governance.

Value for money arrangements

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Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

- We have found appropriate arrangements and processes in place to support the Council in using information about costs and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Performance and Scrutiny Committee and Executive.
- The Council's performance framework includes regular service monitoring of detailed performance trends covering Performance measures, Volumetric measures and Customer satisfaction. The most recent performance reports is that of the Q3 Monitoring reports. At the end of Q3 of the 85 performance measures 58 were either acceptable of meeting/exceeding the target. 7 were below and 20 were volumetric. Where performance does not meet target, key actions are identified.
- Performance Scrutiny Committee reviews service and financial performance (against cost, performance, and satisfaction) on a quarterly basis and periodically reviews key (off target) services. Quarterly reports are also presented to the Executive. The performance framework also includes regular monitoring of Portfolios with annual reports from Portfolio Holders with a key focus on performance, these are presented to the Performance Scrutiny Committee. The Council reviews its corporate performance measures annually through a target setting process. The process is co-ordinated by the Corporate Policy and Transformation team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements. Key examples of this are found in financial performance monitoring where management use regional and national data to give context to the Council's current position.
- The Council undertakes benchmarking exercises to support decision making, a recent example being for the Council's fees and charges, in addition to more routine benchmarking of service area costs. Benchmarking information will also be gathered as part of any service reviews that are being undertaken. The Council is also considering the new Oflog metrics and the future use of such data, it has recently undertaken some assessment of the financial metrics in comparison to other authorities.

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Value for money arrangements

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Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

- The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, for example the Council shares its Revenue and Benefits operations team with other councils in Lincolnshire under service level agreements. It has also worked with Lincolnshire County Council as part of the Western Growth Corridor project and with the Police and Crime commissioner to manage the Safer Streets plan. The Council has a partnership with a third party for the Western Growth Corridor and this is managed through a Delivery Agreement and joint Board, as detailed in the Governance section.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



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SUBJECT: INFORMATION GOVERNANCE UPDATE

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: DATA PROTECTION OFFICER (DPO)

1.1 Purpose of Report

To update Committee on the Council's Information Governance compliance and associated risks. This includes monitoring of compliance with the Data Protection Legislation including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA). This report also includes monitoring of the Council's compliance with its legal duties under the Freedom of Information Act 2000.

2. Background of Reporting

- 2.1 Reports are submitted on a six-monthly basis in line with reports submitted to Corporate Leadership Team. The last report provided to Committee was 12 December 2023.

3. Information Governance (IG) Risk Register

- 3.1 Attached at Appendix A (Part B) is the updated Information Governance Risk Register. The following risks are highlighted for comment as being risks where ongoing monitoring is required or further work is being carried out or is required.
- 3.2 There are currently no red risks on the Register. All Risks have an Assurance status of 'Substantial' and a direction of travel of 'Static' provided current control measures remain in place. This is with the exception of one risk which has an Assurance status of 'Limited' and a 'Declining' direction of travel (Risk 5) which relates to the retention and disposal of personal data.

4 Training (Risk 1)

- 4.1 Data protection training is a legal requirement. The Council renew training annually for all:
- staff
 - members
 - Information Asset Owners (IAO's) /service managers -receive a higher level of training.
 - New staff and members also receive training on induction.

Online training is accredited by the National Cyber Security Centre (NCSC) namely 'Cyber Ninjas' and covers both data protection and cyber security training. This year's course included new modules on ransomware, phishing, and email use. Service areas are also able to request additional face to face team training.

- 4.2 Members were offered face to face training on the 29 February 2024. Members who were unable to attend the face-to-face training were asked to complete the online bespoke member training offered by Cyber Ninjas.
- 4.3 Training compliance rates are good, and the small number of remaining non-completers are being chased through relevant managers and Assistant Director's.

Current completion rates are:

- All staff online training cyber ninjas (502 users completed, 21 in progress, 69 not started- 85% completion).
- low risk forms for those staff who do not normally process personal data. (41 responses).
- IAO higher level training for service managers. (35 completed, 1 in progress- 97% completion).
- Member training (13 completed, 18 not started- 42% completion).

However as explained to Committee previously the non-starters list includes staff on long term leave and staff who have recently left the Council and their accounts are yet to be deleted. This means the completion rate is likely to be much higher than 85% when taking these into account. Member training has also been delayed by the local elections although reminders have since been reissued and new members have received induction training.

- 4.5 The Council is considering deploying a simulated phishing exercise to all council network users including staff and members sometime this year. This is as a business continuity and training exercise, and which will also test the council's security measures. This is part of a programme of training relating to the risk of 'phishing' attacks which are the most common cause of cyber-attack, according to NCSC research. The Council's programme of training began with the Cyber Ninjas online training which includes guidance on how to identify a 'phishing' email. The programme of training continues with the current communications campaign 'Think before you click'.
- 4.6 All Information Asset Owners have completed their IAO Checklists for this year, and which are submitted annually. These checklists are self-declared mini audits of compliance in their own area with data protection. Any requests for assistance or queries have been or are being dealt with directly, including requests for additional team training. In summary there are no major areas of concern or non-compliance being reported by IAO's in their own service areas.

5. Data Protection Reform (Risk 3- Policies and Procedures)

- 5.1 The Data Protection and Digital Information Bill proposes reform to the existing Data Protection Legislation. The Bill is at Report Stage in the House of Lords with many amendments being tabled. The aim of the Bill is to cut paperwork for British businesses and enable personal data to be shared more easily, when in the public interest.

- 5.2 An update will be provided to Committee on how the Bill impacts the Council, if and when this becomes law. The Council's policies and procedures will also need to be reviewed and updated at this time. The Data Protection Officer will continue to monitor the Bills progress. The time limit for the Bill to be passed into Law has recently been extended by the government to December 2024.
- 5.3 The use of Artificial Intelligence (AI) by the Council is being considered including the risks, rewards, and the Council's readiness for this. Good governance and data quality is essential for AI to be used responsibly and a Policy is currently in development for internal acceptable use. There are huge potential benefits from the use of AI for the Council to harness including improved productivity, efficiency, and outcomes for customers. However, there are also high levels of risk such as bias within data, poor data quality, lack of transparency/explainability and digital exclusion to be considered.
- 6. Retention and Disposal of Personal Data (Risk 5)**
- 6.1 It is essential that retention and disposal of personal data is automated as soon as possible in Office 365. Also, existing data held on premise is cleansed or deleted before migration to the Cloud. This ensures personal data is not retained longer than necessary which is key to business efficiency and transformation of the Council (including use of innovative technologies such as AI). There is extensive work to be completed by the Council in this area. This explains why the direction of travel for this risk on the IG Risk Register is 'Declining' and has a current Assurance level of 'Limited'. However, preliminary work on migration to the Cloud has begun, including review and retention or deletion of existing data as part of the IT migration project.
- 6.2 Currently IAO's/service managers declare retention and disposal is being implemented in their area, in their annual IAO Checklists and in accordance with their area's retention schedules. This is mainly a manual process although many of the Council's IT systems now automate these processes. It is critical that new IT systems procured by the Council have the capability for automated retention policies to be applied going forward.
- 7. Data Subject's Rights (Risk 8)**
- 7.1 The Council continue to manage data protection requests from individuals regarding their own personal data (Subject Access Requests). Also, third-party requests for personal data, such as from the police, legal representatives, and insurance companies. These requests can be resource intensive often involving high volumes of data. The legal time limit for the Council to respond is 1 calendar month although this can be extended up to 3 months in certain circumstances.
- 7.2 By way of example, for the quarter Oct-Dec 2023 the council received 18 requests and 94% were responded to in time. A new e-form process for these types of requests went live on the Council's website in December 2023. This has made the process more accessible for requesters and easier for the Council to track, monitor and report. However, requests continue to be made using multiple channels including email, verbal, via complaints and claims. The council can only encourage requesters to use the online form.

8 Freedom of Information Requests

- 8.1 The Council receives Freedom of Information (FOI) requests in high volumes and Environmental Information Regulations (EIR) requests. For FOI requests the legal time limit for the Council to respond is 20 working days. This is a short time scale when requests can often involve large amounts of council held information.
- 8.2 By way of example, the council received 206 requests in the same period Oct-Dec 2023 and 87% were responded to in time. This is in addition to the data protection requests detailed above. In January 2024 the completion rate was 90% for FOI requests and any delays tend to be between 1-5 working days only and the Council have no requests outstanding more than 3 months from their deadline.
- 8.3 FOI response rates continue to improve following several actions including additional training for relevant officers, reducing the internal time scale for providing data and copying Assistant Directors into delayed responses from service areas. Further improvements are also planned to the current FOI e-form system available on the Council's website. FOI performance rates are to be published on the council's website on a quarterly basis from June 2024.

9. Annual Governance Statement (AGS)

- 9.1 The AGS status for Information Governance was downgraded from Red to Amber due to progress made previously following the implementation of the GDPR now UK GDPR. IG has since been removed from the AGS although remains closely monitored with reports being submitted biannually to IG Board (Corporate Leadership Team), and Audit Committee. Also reports to Corporate Management Team on specific IG issues as when required.

10. Strategic Priorities

- 10.1 This work ensures that staff and members are high performing in their collection and processing of customer and staff personal data. It also assists to ensure that the Council is 'trusted to deliver' services and compliant with the Data Protection Legislation.

11. Organisational Impacts

- 11.1 Finance (including whole life costs where applicable)

There are no financial implications arising from this report, as the resources will come from existing budgets.

- 11.2 Legal Implications including Procurement Rules

There are no legal implications arising out of this report.

11.3 Equality, Diversity and Human Rights

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

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

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

There is no impact arising from this report regarding these issues.

12. Risk Implications

- 12.1 The Council must comply with the Data Protection Legislation. Non-compliance may result in enforced external audits, enforcement notices, monetary fines, criminal prosecutions of individual's, compensation claims and loss of public/partner trust. Non-compliance with the Freedom of Information Act 2000 may result in loss of public trust and enforcement action.

13. Recommendation

- 13.1 To note the content of the report and IG Register and provide any comment.

Is this a key decision? No

Do the exempt information categories apply? No

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

How many appendices does the report contain? 1

List of Background Papers: None

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AUDIT COMMITTEE**15 JULY 2024****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2024/25****DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK****REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER****1. Purpose of Report**

- 1.1 To provide details of the Audit Committee work programme for 2024/25.

2. Background

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2022 Edition, as providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'.
- 2.3 With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared, and members will gain the knowledge and experience needed to carry out their role effectively.
- 2.4 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reporting to the Committee.

3. 2024/25 Work Programme

- 3.1 The proposed work programme for 2024/25 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. The frequency of meetings has been reviewed and is considered appropriate for 2024/25.
- 3.2 Any future changes to this work programme will be report to the Committee at each of it's meetings.
- 3.3 A copy of the Audit Committee's Terms of Reference is attached at Annex A.

4. Learning and Development

- 4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.
- 4.2 As part of the latest Audit Committee Review of Effectiveness, that was undertaken early in 2024, a key area within the resulting Action Plan was ensuring that Members of the Committee have the necessary skills and training. A number of actions were set to address the issues identified including:
- Providing the Group Leaders with more information on the skills required for Members of the Committee.
 - The completion of an individual skills and knowledge assessment to inform a new Committee training plan.
 - Transparency of attendance and inclusion of substitutes on the training will also be improved to ensure that all Members of the Audit Committee are fully trained.
- 4.3 In relation to the development of a training plan, all Members and substitute Members, have received a questionnaire/survey to assess their individual skills and knowledge in relation to the functions of the Committee. The survey will also be sent to the Independent Members of the Committee. The results of this will then inform the training plan for the next year. This will be presented to the next meeting of the Audit Committee and will likely cover areas such as:
- Role and Scope of Audit Committees
 - Audit Committee Effectiveness
 - Risk Management
 - Treasury Management
 - Counter Fraud
 - Local Government Finance
- 4.4 In advance of the development of a full training plan, one training session in relation to Local Authority Statement of Accounts is already scheduled for 15th July 2024, ahead of the Committee considering the Statement of Accounts at this meeting.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

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

5.2 Legal Implications including Procurement Rules

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

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

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

6. Risk Implications

6.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

7. Recommendation

7.1 Audit Committee are asked to comment on and agree the updated work programme for 2023/24 and the note proposals in relation to the development of a Committee training plan.

Is this a key decision? Yes/No

Do the exempt information categories apply? Yes/No

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

How many appendices does the report contain? Two

List of Background Papers: None

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Audit Committee terms of reference (Section 9 Constitution)

1 Audit Committee

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.
- 1.2 The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26) of the Council Procedure Rules set out in Part 4 of the Constitution.
- 1.3 The Council will appoint an Audit Committee as follows:-

Number of Members	8 – 7 Councillors and at least 1 Independent member
Substitute Members permitted	Yes, provided they have met the training requirements
Restrictions on membership	Executive members or the mayor may not be a member of this Committee.
Quorum	3 Councillors
Number of ordinary meetings per Council year	At least 4 per year

2 Statement of purpose

- 2.1 The Audit Committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2.2 The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 2.3 To decide upon and authorise allowances to the Committee's Independent Member.

3 Governance, risk and control

- 3.1 To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm from fraud and corruption).
- 3.8 To monitor the counter-fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To appoint the Chair as the Lead Member of the Information Governance Board and to monitor and oversee Information Governance practices within the Council.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee.
- 3.14 To consider the Council's compliance with its own and other published standards and controls.
- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.

- 3.16 To support ethical values and reviewing arrangements to achieve those values as appropriate.

4 Financial Reporting

Governance Reporting

- 4.1 To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and supporting assurances (including internal audit's annual opinion on governance, risk and control).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether any non-conformance is significant enough that it must be included in the AGS.

Financial Reporting

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 4.4 To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.
- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5 Arrangements for audit and assurance

- 5.1 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

External Audit

- 5.2 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any

issues raised by PSAA (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.

- 5.3 To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 Monitor management action in response to any issues raised by external audit.

Internal Audit

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.12 To approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.
- 5.13 To approve significant interim changes to the risk based internal audit plan and resource requirements.
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (Audit Manager) to determine if there are any inappropriate scope or resource limitations.
- 5.15 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of internal audit. To approve and periodically review safeguards to limit such impairments.

- 5.16 Consider reports from the Head of internal audit concerning internal audit activity including internal audit reports on the effectiveness of internal controls (key findings and issues of concern) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (Quality Assurance and Improvement Program) results and any non-conformance with PSIAS (Public Sector Internal Audit Standards) and LGAN (Local Government Application Notes).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with PSIAS.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 To receive reports outlining the action taken where the Head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 5.21 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 5.22 Consider the regular review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- 5.23 To provide free and unfettered access to the Audit Committee Chair for the Head of internal audit, including the opportunity for a private meeting with the Committee.
- 5.24 To have the right to call any Officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

6 Accountability arrangements

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 6.2 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

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**AUDIT COMMITTEE
AUDIT WORK PROGRAMME FOR 2024/25**

Meeting dates	Audit Items – Revised Agenda	Training (Subject to the development of a new training plan)
4 th June 2024	<ul style="list-style-type: none"> • Meeting cancelled due to General Election 	
15 th July 2024	<ul style="list-style-type: none"> • Information Governance Update • Internal Audit Progress Report • Audit Recommendations Follow Up Report • Annual Internal Audit Report • Annual Fraud & Error Report • Counter Fraud Policy and Strategy • Annual Governance Statement (Draft) • Addressing the Audit Backlog in England • Statement of Accounts 2023/24 (Draft) • External Audit – Progress Report • Risk Management Annual Update • Audit Committee Work Programme 	Local Government Financial Statements
10 th Sept 2024 (Provisional)	<ul style="list-style-type: none"> • External Audit – Annual Auditor's Report 2023/24 • Statement of Accounts 2023/24 (Final) 	
23 rd Sept 2024	<ul style="list-style-type: none"> • Internal Audit Progress Report • Annual Complaints Report Learning and Development Plan for Audit Committee Members • Internal Audit Revised Audit Plan • Whistleblowing Policy and Guidance • Review of Effectiveness Committee Progress Report • Audit Committee Work Programme 	
10 th Dec 2024	<ul style="list-style-type: none"> • Audit Recommendations Follow Up Report 	

APPENDIX B

	<ul style="list-style-type: none"> • Six Month Fraud & Error Report • NFI Policy • Information Governance update • Annual Governance Statement – Progress Report Audit Committee Work Programme 	
4 th Feb 25	<ul style="list-style-type: none"> • Internal Audit progress Report • Treasury management Policy and Strategy • Audit Committee Work Programme 	Treasury Management
25 th Mar 25	<ul style="list-style-type: none"> • Internal Audit Progress Report • Audit Recommendations Follow Up Report • Internal Audit Strategy and Plan 25/26 • External Audit – Audit Strategy Memorandum 24/25 • Statement on Accounting Policies • IAS19 – Assumptions • External Audit Inquiries • Partnership Governance • CIPFA Financial Management Code • Money Laundering Policy and Procedure • Audit Committee Work Programme 	

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

SUBJECT: RISK MANAGEMENT – ANNUAL UPDATE

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

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

2. Background

- 2.1 Risk management is about controlling, transferring, and living with risks so the focus is on becoming risk aware, not risk averse. This puts the Council in an informed position to make the right decisions and enable us to manage risk.
- 2.2 Specific elements of Risk Management are outsourced to Lincolnshire County Council's (LCC) Assurance Lincolnshire service in order to provide the level of expertise that we require. This includes support in the development of risk management strategies and approaches along with access to the County Council's resources i.e. training, provision of documentation, toolkits. The development and monitoring of the Council's strategic, operational and project risk registers however remains a role that is undertaken by the Council through the Corporate Management Team and Directorate Management Teams.
- 2.3 As part of the reporting protocol within the current Risk Management Strategy both the Executive Committee and Performance Scrutiny Committee receive reports on the Strategic Risk Register to consider the status and movement of all strategic risks at that particular point in time.

3. Risk Management Strategy

- 3.1 The latest review of the Council's Risk Management Strategy was undertaken during 2023, with the latest version attached at Appendix A. Although the next review of the Strategy is not scheduled until 2026, in light of the development of Vision 2030, a review of the Strategy will be undertaken in early 2025.
- 3.2 The Strategy seeks to achieve a number of objectives included setting the "tone from the top" in terms of the Council's "Risk appetite", this can be defined as the amount of risk that an organisation is willing to take on in pursuit of value, or the total impact of risk an organisation is prepared to accept in its pursuit of its strategic objectives. Defining the Council's risk appetite provides the strategic guidance necessary for decision making. As part of the review of the Risk Management Strategy, the Council's risk appetite was also considered to ensure it remained relevant to the environment in which the Council now operates. This latest review concluded that the Council's risk appetite remains as "creative and aware", with the following statement:

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

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

4. Formulation of the Strategic Risk Register

- 4.1 The Council's Strategic Risk Register is developed under the risk appetite methodology.

- 4.2 The Strategic Risk Register for 2023/24 was initially formulated by the Corporate Leadership Team and presented to the Executive and Performance Scrutiny Committee. This initial Register contained fourteen risks, which remained constant throughout 2023/24, as follows:

- 1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against the Council's Vision 2025
- 2) Failure to deliver a sustainable Medium-Term Financial Strategy (that supports delivery of Vision 2025).
- 3) Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council.
- 4) Failure to ensure compliance with statutory duties/functions and appropriate governance arrangements are in place.
- 5) Failure to protect the local authority's vision 2025 due to changing structures and relationships in local government and impact on size, scale and scope of the Council.
- 6) Unable to meet the emerging changes required in the Council's culture, behavior and skills to support the delivery of the council's future Vision, transformational journey to one Council approach and service delivery.
- 7) Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council (in the context of the cost of living crisis impact on households and businesses within the City).
- 8) Decline in the economic prosperity within the City Centre.
- 9) Failure to deliver key strategic projects.
- 10) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money

- 11) Failure to protect the vulnerable in respect of the Council's PREVENT duties and compliance with safeguarding legislation and procedures
- 12) Failure to mitigate against the risk of a successful cyber-attack against the council with significant / critical impact
- 13) Impacts of the uncertainty of Government's migration policy on the Council's service delivery, capacity and MTFs as well as the impacts for the City as a whole
- 14) Failure to deliver critical services in an emergency situation (e.g. potential for a new pandemic)

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

- 4.3 Each risk is scored based on likelihood and impact to allow prioritisation of the risks as High (Red), Medium (Amber), or Low (Green) with their ownership.
- 4.4 The status of the fourteen strategic risks currently identified is as follows:

Risk No.	Risk Rating	Likelihood	Impact
1.	Medium	Hardly Ever	Minor
2.	High	Almost Certain	Critical
3.	Medium	Probable	Major
4.	Medium	Possible	Major
5.	Medium	Possible	Major
6.	Medium	Possible	Major
7.	High	Almost Certain	Critical
8.	High	Almost Certain	Critical
9.	Medium	Probable	Major
10.	High	Almost Certain	Critical
11.	Medium	Possible	Critical
12.	High	Probable	Critical
13.	High	Almost Certain	Critical
14.	Medium	Probable	Major

- 4.5 The application of risk appetite to each of the risks has also been undertaken, this determines the level and nature of controls that are either in place or need to be implemented. This ensures that the controls in place are proportionate to the risk itself and the Council's appetite for risk within that area. As at quarter 4, there had been reductions in the level of risk in three risks identified following mitigations that had been put in place.
- 4.6 As the Strategic Risk Register is a live document it is subject to continuous review and any risks identified i.e. from Directorates may receive consideration for inclusion accordingly. There were no new strategic risks identified for inclusion in the Strategic Risk Register during 2023/24.

5. Formulation of the Directorate (Operational) Risk Registers

- 5.1 Each Directorate identify the key risks within their service areas resulting in the formulation of a Directorate Risk Register. These registers contain those risks that are mainly of an operational nature and may only concern one particular directorate or department.
- 5.2 Regular review of the Register and respective mitigation/action plans are then undertaken at the Directorate Management Team meetings. Any major risks identified by Directorates can also be elevated for consideration to be added to the Strategic Risk Register as required.
- 5.3 Assurance has been given by Directorates that the Risk Registers and mitigation/actions plans have been reviewed at their Directorate Management Team meetings and are up to date.
- 5.4 In addition to the Directorate Risk Registers individual projects and new policies, either of a service or strategic nature are required to develop and monitor a project risk register. These registers are overseen by the relevant operational boards, e.g. Western Growth Corridor/Ground, Street Cleansing & Waste procurement, Re-imagining Greyfriars.

6. Training

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

7. Greater Lincolnshire and East Midlands Risk Management Groups

- 7.1 The Principal Risk Officer from Lincolnshire County Council (LCC) has been representing the Council at GLRMG and provides updates back to the Council of the activity undertaken. Reflecting the reduction of dedicated risk management resources with the local authorities and a move to joint support through LCC and embedment of working practices into the day to day work of all officers, meetings occur on a 6 monthly basis. The purpose of such a meeting being to share best practice, co-ordinate approaches and maximise the use of resources. The main focus of the meetings has been:

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

Towards the end of 2022/23, the Principal Risk Management Officer at Lincolnshire County Council reviewed their commitment to the group and the group now meets on a “as and when basis” and found that engaging with nearest neighbours across a wider area would be more beneficial and are now part of the East Midlands Risk Management Group and with this in mind the Principal Risk Management Officer at LCC alongside an officer from the Council attends this group and has found this group to be very beneficial and has focussed its efforts on the following topics:

- Corporate risk impact/risk scoring matrix – good practice and guidance
- Financial resilience
- Winter preparedness
- Cost of Living
- Future council priorities and risks associated
- Political risks i.e.election

8. Risk Management Benchmarking

- 8.1 The Greater Lincolnshire Risk Management Group (GLRMG), which includes the Lincolnshire District Councils, has historically conducted their own regular benchmarking exercises. This has been a much simpler way of benchmarking and enables the sharing of best practice without being too onerous. This has however not been undertaken since the Covid19 pandemic, due to capacity across all group members.
- 8.2 The assessment is based on a maturity level on a scale of 1-5, where level 5 is the highest level of maturity. The assessment is based upon the principals of best practice in risk management as recognised by;
- The International Standard ISO31000
 - The British Standard BS31100:2008
 - HM Treasury
 - The institute of Risk management, and
 - ALARM, the Public Risk Management Association
- 8.3 As a reminder, the last benchmarking exercise, resulted in the following assessments across a range of areas, as follows:
- Leadership and Management – level 4
 - Strategy and Policy – level 4
 - People – level 4
 - Partnerships, Shared Risk and Resources – level 3
 - Processes – level 4
 - Risk Handling and Assurance – level 3
 - Outcomes and Delivery – level 4
- 8.4 As detailed above the next benchmarking exercise will be undertaken with East Midlands Risk Management Group. This will widen the Council's exposure to other local authorities in the region in sharing best practice and risk management activity with a wider audience.

9. Internal Audit

- 9.1 The last internal audit of the Council's risk management arrangements was undertaken in 2021/22, with an overall assurance level opinion of substantial. The scope of the audit included:
- To determine how all aspects of the risk management framework is operating (implementation of the corporate Strategy and Framework at strategic and

operational levels, and in other areas of the business including programmes, projects and financial planning etc)

- 9.2 There was one improvement required in relation to how some aspects of operational risk management currently operate in ensuring that all risk registers are reviewed regularly with robust processes in place. It is appreciated that during this time there were projects that were put on hold and resources were significantly redeployed elsewhere. The monitoring and reviews have been reinstated on a quarterly basis following the pandemic.
- 9.3 There is a scheduled audit to be completed in 2024/25 in quarter 2, with the following scope:
- To ensure there is a risk management strategy in place which is up to date and embedded and that Risk Registers are complete, reviewed and contain appropriate mitigating actions.

10. Work Programme for 2024/25

- 10.1 The work programme for risk management activity for 2024/25 includes the following actions:
- Refresh and update of E-learning on the Hub.
 - Engagement on the Hub providing communication updates on progress on risk management activity.
 - Quarterly monitoring and review of Strategic Risk Register, Directorate Risk Registers, and Project Risk Registers.
 - Engagement and participation with GLRMG and EMRMG, including potential for a benchmarking exercise.
 - Implementation of any actions arising from the scheduled internal audit of risk management arrangements.
 - Review of Risk Management Strategy in light of development of Vision 2030.

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

11. Strategic Priorities

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

12. Organisational Impacts

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

risk, such as provided in this report, is part of the way in which the Council fulfils this duty.

12.3 Equality, Diversity and Human Rights

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

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

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

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

13. Risk Implications

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

14. Recommendation

- 14.1 Members consider and comment upon the Risk Management Framework adopted by the Council and also the Risk Management activity undertaken during the year.

Key Decision

No

**Do the Exempt
Information Categories
Apply?**

No

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

No

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

Two
Appendix B is Part B only

**List of Background
Papers:**

N/A

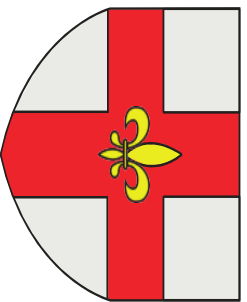
Lead Officer:

Jaclyn Gibson, Chief Finance Officer
Email: jaclyn.gibson@lincoln.gov.uk

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Our Strategy

RISK MANAGEMENT



CITY OF
Lincoln
COUNCIL



Introduction

1.

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

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

Aim

2..

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

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

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

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

OBJECTIVES

3. Objectives

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

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

Policy Framework

4.

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

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



Strategy

5.

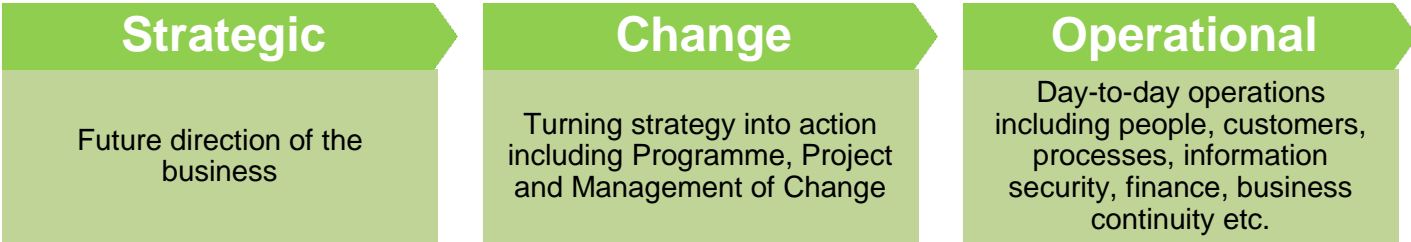
The Council’s Risk Appetite statement is **Creative & Aware**:

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

This means that the Council’s risk and assurance systems need to be working well so to create an environment of ‘no surprises’.

Whilst working within this overall context – ‘tone from the top’ – it is acknowledged that the risk appetite will vary depending on the nature of the service. For example the Council’s appetite for risk taking on Health & Safety is more cautious.

The Council’s approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council’s business – as shown below:



A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2025 and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.

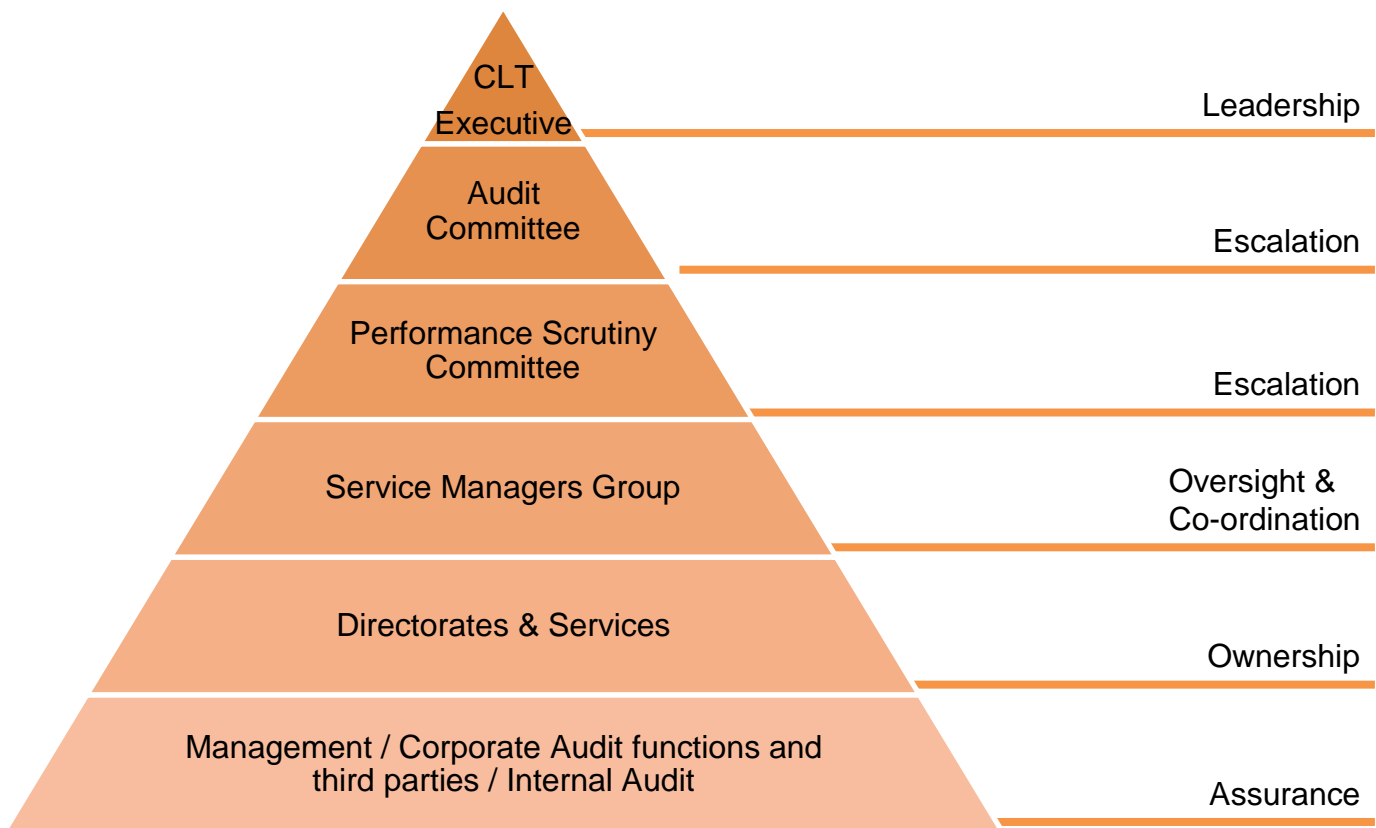
All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

Officer and Member awareness is a key component of successfully embedding risk management arrangements; specific training has been provided to officers and members with risk management responsibilities with general awareness training provided for other officers and members. Specific Risk Management Guidance which sets out the Council’s requirements and processes and gives people the tools to help them identify and manage risks effectively is also available for officers.

Roles and Responsibilities

6.

The Roles and Responsibilities for risk management are as follows:



Within this structure, each party has the following key roles:

The Executive and Corporate Leadership Team, on the top of the pyramid, has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the ‘risk appetite’.

The Audit Committee is responsible for overseeing the effectiveness of the Council’s risk management arrangements, escalating issues to the Corporate Management Team/Executive.

The Performance Scrutiny Committee is responsible for ensuring that the Council’s Strategic Risks are effectively managed, escalating issues to the Executive.

The Service Managers forum is responsible for the facilitation and co-ordination of risk management activity across the Council.

Directorates and Services are the ‘risk takers’ and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities.

6. Continued

As part of the Council's combined assurance model, management, third parties and Internal Audit give assurance on the management of risks and the operational/performance controls.

Whilst effective risk management is integral to how services are run, the Council in conjunction with the Strategic Risk Management Team at Lincolnshire County Council helps support management and promote good practice. The key roles being:

- To co-ordinate and maintain the Council's Strategic Risk Register.
- To develop and co-ordinate the implementation of the Risk Management Strategy.
- Provide guidance on risk management.
- To support Members and Officers to help them identify and manage risks facing the Council.
- Promote good risk management through training and awareness events/publications.
- Measuring/monitoring the successful implementation of the Risk Management Strategy.
- Horizon scanning to support identification of emerging risks.

Review

7.

This Strategy will be reviewed at least every three years and any significant amendments reported to the Council's Executive for approval.

Revised:

June 2023 (no significant amendments)



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SUBJECT:	EXCLUSION OF THE PRESS & PUBLIC
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	CAROLYN WHEATER, MONITORING OFFICER

1. Purpose of Report

- 1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

2. Recommendation

- 2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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