

## AUDIT COMMITTEE

**Tuesday, 10 December 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 Members: Dave Carter and Jane Nellist

Officers attending: Sally Brooks, Heather Carmichael, Joanne Crookes, Democratic Services, Jaclyn Gibson, Amanda Stanislawski and Carolyn Wheeler

## A G E N D A

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1. Confirmation of Minutes - 23 September 2024	<b>3 - 8</b>
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3. Procurement Act 2023 & Contract Procedure Rules	<b>9 - 78</b>
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| 11. Audit Committee Work Programme 2024/25 | 381 - 406 |
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| 13. Exclusion of Press and Public          | 413 - 414 |

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**

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|--|-----------|
| 14. Information Governance update - Appendix A | 415 - 422 |
| [Exempt Para(s) 3]                             |           |

<b>Present:</b>	Councillor Annie Currier ( <i>in the Chair</i> )
<b>Councillors:</b>	Thomas Dyer, Gary Hewson and Pat Vaughan
<b>Independent Member:</b>	Dave Carter and Jane Nellist
<b>Apologies for Absence:</b>	Councillor Emily Wood, Councillor Calum Watt, Councillor Callum Roper and Councillor Clare Smalley

## **20. Appointment of Chair**

It was proposed, seconded and RESOLVED that Councillor Annie Currier be appointed Chair for the meeting.

Councillor Dyer requested that it be formally recorded that he was against the appointment of Councillor Currier as Chair. He was disappointed that neither the Chair or Vice Chair were in attendance at the meeting. He felt that it was inappropriate to appoint Councillor Currier as Chair as she was a newly elected Councillor and the Audit Committee required competence and consistency. He further added that the meeting could have been moved to an alternative date so that the Chair and Vice-Chair could be in attendance.

The Chief Finance Officer advised that the Chair and Vice-Chair had requested that the meeting be moved to an alternative date, however, at the time it was not possible due to the scheduled work programme.

## **21. Confirmation of Minutes - 15 July 2024**

RESOLVED that the minutes of the meeting held on 15 July 2024 be confirmed and signed by the Chair as a true record.

## **22. Declarations of Interest**

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'External Audit: Progress Report'. His Granddaughter worked in the Finance Department at City of Lincoln Council.

## **23. Internal Audit Progress Report**

Amanda Stanislawski, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed against the audit plan up to 31 August 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

d. invited members questions and comments.

**Question:** Western Growth Corridor had previously been discussed at Audit Committee and had been identified as a significant risk to the Council. Would it be reported to Audit Committee as an individual item rather than being reported as part of the internal progress report?

**Response:** The Western Growth Corridor was included in the Audit Plan and would be reported through to Audit Committee via the Internal Audit Progress report.

**External Audit Response:** The Western Growth Corridor arrangements were considered by external audit during the value for money risk assessment and there was no significant risks identified within the governance arrangements.

**Question:** Why had the Western Growth Corridor Audit been postponed to Quarter 3?

**Response:** Major Developments were approached to undertake the Audit, however, at that time they could not accommodate an audit due to their workloads as they were focussed on delivering phase1a of the project.

**Question:** Were Officers satisfied with the current staffing level within the team?

**Response:** Yes, an experienced Principal Auditor had been appointed and he was able to provide support to the Audit Manager.

**Question:** What were the sickness percentage levels within the Audit Team and how did this compare to previous years?

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

RESOLVED that the report be accepted.

## 24. Revised Internal Audit Plan 2024/25

Amanda Stanislawski, Audit Manager:

- presented to Audit Committee the revised Audit Plan for 2024/25 which included a change in the number of days in the Audit Plan and sought views on audit coverage in the second half of the year
- explained that the revised plan had been reduced by 28 days, with other savings in resources being made through reducing support to Assurance Lincolnshire
- advised that the following audits had been removed from the plan and the rationale behind the changes were included at Appendix 1 of the report:
  - Project Management
  - Housing Strategy
  - Western Growth Corridor -2 (2023/24)
- added that further changes may be made to the revised plan due to the results of a review currently being undertaken by Corporate Management Team. Any changes would be reported to Audit Committee
- stated that the revised plan would still enable the Audit Manager to provide an annual internal audit opinion



- f. invited members questions and comments.

**Question:** How much had been spent on agency/contractor support in 2024/25?

**Response:** An answer would be provided following the meeting.

**Question:** Did the audit plan contain all of the available days for the team? If not, what were the remaining days spent on?

**Response:** The rest of the time was taken up by training, sickness, annual leave, general admin and other work such as whistleblowing. A full-time trainee had been appointed to the team which replaced a previous part time position. Quite a lot of time was allocated to the trainee for learning and development. A detailed breakdown would be provided following the meeting.

**Comment:** It was disappointing that the number of days in the audit plan had to be reduced.

**Response:** The reduction in the number of audit days was due to staff vacancies. The team was now fully staffed and once the trainee was up and running there would be more hours available. Also, support to Assurance Lincolnshire was no longer required which would allow for more audit hours next year.

**Comment:** The Western Growth Corridor Audit had been removed from the first quarter. Members were keen to see the audit and the Major Developments Team needed to make time for it.

**Response:** There should not be an issue completing the Audit going forward. The team were focussed on delivering phase 1a of the project during quarter 1 which was the reason for the delay.

**Question:** Was City of Lincoln Council above the average number of audit days compared to other Councils?

**Response:** Yes.

**Question:** Was there anything that the Audit Committee could do to support Officers in making progress with Audits?

**Response:** Not at present. Officers were currently reviewing the process to improve how audits were progressed. Officers would include suggestions within the report if they felt that support was required from the Audit Committee.

RESOLVED that the revised Audit Plan 2024/25 be approved.

## **25. Whistleblowing Policy and Guidance**

Amanda Stanislawski, Audit Manager:

- a. presented the Council's current whistleblowing policy and guidance
- b. explained that the current whistleblowing policy had been updated to correct paragraph numbering and some rewording and reformatting. There had been no material change to content
- c. highlighted that the councils whistleblowing policy was part of a range of counter fraud policies which were reviewed every two years (or sooner if required)
- d. stated that a whistleblower was generally a term used for a person who worked in or for an organisation and raised an honest and reasonable

concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of an organisation

- e. referred to a copy of the policy and guidance at Appendix A of the report and highlighted the marked changes
- f. invited members questions and comments.

RESOLVED that the updated Whistleblowing Policy and Guidance be approved.

## **26. Learning and Development Plan for Members of the Audit Committee**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the proposed Learning and Development plan for members of the Audit Committee, to ensure that committee members were adequately trained and prepared to effectively undertake their role
- b. explained the CIPFA Audit Committee Guidance (2022) and Self-Assessment as detailed in paragraph 3 of the report and summarised the survey responses received
- c. further explained that in response to the feedback a review of the learning and development plan had been undertaken
- d. proposed that the Learning and Development Plan set out at table 4.2 of the report be used to support elected members and independent committee members to effectively undertake their role
- e. invited committees questions and comments.

The Chair commented that it was a good, comprehensive training package that was on offer to Members. How would Officers ensure that the training was completed and what support would be provided to those that had not attended training?

The Chief Finance Officer responded that a training register would be kept, published and reported to Audit Committee annually. The training slides would be circulated to members who were not able to attend training. Individual briefing sessions with Officers would also be available to those that were unable to attend. It was important to ensure that members of Audit Committee were well trained.

RESOLVED that the Learning and Development Plan be noted.

## **27. Review of the Effectiveness of the Audit Committee**

Amanda Stanislawski, Audit Manager:

- a. presented the progress made on implementing the actions that arose from the review of effectiveness of the Audit Committee against the 2022 CIPFA guidance in December 2023
- b. advised that there were 19 actions within the Action Plan with 11 of these implemented to date, full details were contained at paragraph 3 of the report

- c. explained that one remaining action was to maintain a register of training sessions provided to the Committee and to report to Committee annually, the register was contained at Appendix B of the report
- d. further explained that following this committee, the Action Plan monitoring could be signed off, there would be four remaining actions which had exceeded their implementation dates. These were all being progressed but had taken longer to implement than originally anticipated
- e. invited members questions and comments.

Members considered the contents of the report and commented that substitute members did not want to attend training sessions in person directly before a meeting if they were not sitting on the committee that evening. Would it be possible to provide a link so that they could dial into the training session remotely?

The Chief Finance Officer responded that all options would be explored to provide the best options for training.

RESOLVED that

- 1) The progress on the action plan and outstanding actions be noted.
- 2) Members be encouraged to attend future training events and their attendance be monitored annually.

## **28. Addressing the Local Audit Backlog in England**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Audit Committee with an update on the Government's response to the Addressing the Local Audit Backlog in England: Consultation
- b. gave an overview of the original proposed audit backstop dates included in the consultation that was presented to the last meeting of Audit Committee
- c. summarised the Government Response To Addressing the Local Audit Backlog Consultation as detailed at paragraph 3 of the report and explained that on the 30 July 2024 the new Government set out a written statement with a new backstop date of Friday 13 December 2024 for all outstanding external audits up to and including 2022/23
- d. further explained that for 2023/24 the audit deadline would be 28 February 2025, if these deadlines were not met, accounts would be published with a disclaimer or modified opinion
- e. referred to paragraph 4 of the report and set out the implications for the Council stating that at this stage City of Lincoln Council were in a more favourable position as all financial accounts up to an including 22/23 had been completed by external audit
- f. invited members questions and comments.

RESOLVED that the Addressing the Local Audit Backlog in England consultation and the potential implications for the Council be noted.

## **29. External Audit: Progress Report**

Rashpal Khangura, KMPG:

- a. presented the External Audit Progress Report to provide Audit Committee with an update on progress in delivering responsibilities of the external auditors
- b. referred to the External Audit progress report attached at Appendix A covering the following areas:
  - Valuation of Land and Buildings
  - Valuation of Investment Properties
  - Management Override of Controls
  - Valuations of Post Retirement Benefit Obligations
- c. summarised that there were no significant risks to report
- d. requested that members note the contents of the report and the attached appendix
- e. invited member's questions and comments.

Dave Carter, Independent Member referred to the control deficiency in respect of the review process for reviewing journals and asked what was the concern?

The External Auditor responded that this related to the review process that Management had in place. The available evidence did not show a clear audit trail to evidence that an appropriate review process had taken place before the journal was posted. It was not an uncommon risk to find in Local Government and External Audit were not concerned but were required to report it.

RESOLVED that the contents of the External Audit Planning Update and Progress report be noted.

## **30. Audit Committee Work Programme**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the Audit Committee on the work programme for 2024/25 as detailed at Appendix B of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme
- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d. invited members questions and comments.

RESOLVED that the contents of the Audit Committee work programme 2024/25 be noted.

**AUDIT COMMITTEE**

**10 DECEMBER 2024**

**SUBJECT:                   PROCUREMENT ACT 2023 & COUNCIL PROCEDURE RULES**

**DIRECTORATE:       CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: CAROLYN WHEATER – CITY SOLICITOR**

**HEATHER CARMICHAEL - PROCUREMENT MANAGER**

**1.       Purpose of report**

- 1.1       To update Audit of the new Procurement Act 2023 and the subsequent revision of the Council's Contract Procedure Rules, and to seek any comments.

**2.       Executive Summary**

**Procurement Act**

- 2.1       The Procurement Act 2023 (PA23) received Royal Assent in October 2023 and is due to come into force in February 2025. The Act will supersede existing legislation governing public procurement, including the Public Contract Regulations 2015.
- 2.2       The PA23 has been designed to create a simpler, more flexible commercial system which meets the UK's needs. The aim of the Act is to provide a number of benefits to suppliers and buyers including:-
- Cutting red tape and supporting innovation
  - Improving transparency by creating a fully open and transparent system, meaning everyone has access to public procurement data
  - Faster competitive processes for emergency buying, allowing buyers to meet urgent needs quickly and efficiently
  - Simplifying the process of working with the public sector, supporting more small to medium enterprises (SME's) to bid for contracts
- 2.3       This transformation of public procurement represents a huge change for all public bodies and is seen as a significant opportunity to make procurement processes better to deliver outcomes for the taxpayer.
- 2.4       Contract Procedure Rules**
- 2.5       In order to comply with the PA23 the procurement manager has updated and refreshed the Council's contract procedure rules (CPR's). These CPR's, which are required by the Local Government Act 1972, set out the

rules by which the Council spends money on the goods, services and works needed to deliver services to the residents of Lincoln.

2.6 The CPRs have seven main purposes:

- To support the delivery of the Council's Corporate Objectives
- To provide a legal framework for the Council's procurement activities
- To provide an auditable framework for the Council's procurement activities
- To help the Council obtain value for money so that in turn it may provide value for money services to the public
- To comply with the UK law governing spending of public money
- To comply with UK law as required through the Public Contract Regulations (2015) and Procurement Act 2023
- To protect staff and members of the Council from undue criticism or allegation of wrongdoing.

2.7 The revised CPR's adopt the whole procurement lifecycle approach, and the intention is that these are easier to read, make clear the requirements linked to contract values and clarifies the limited circumstances where an exception to the normal route can be applied. The CPR's set out the Council's own rules for contracts and procurement and are the layer below procurement legislation.

**3. PA 2023**

3.1 The PA23 makes significant changes to the Public Contract Regs 2015, some of which are outlined below (though not an exhaustive list):-

3.2.1 That 'procurement' is to be seen in its widest sense, so the term now means not only the procurement process itself, but also pre-market steps in the route to award, the operation and management of the contract once awarded, and the exit whether by termination or expiry.

3.2.2 Pre-market engagement sees the introduction of two new public notices Planned Procurement Notices and Preliminary Market Engagement Notices.

3.2.3 Competitive Tendering Procedure – moves from six procedures to the creation of one concept of competitive tendering procedure, which may be either a single stage open procedure or; 'any other competitive procedure that the authority considers appropriate', introducing the freedom to design a procedure.

3.2.4 A new concept is introduced of 'excluded suppliers' – excluded on a mandatory ground and 'excludable suppliers' excludable on a discretionary ground.

- 3.2.5 Allows the modification of the term of the procurement provided the tender deadline has not passed.
- 3.2.6 Allows for the direct award of a contract in special/limited cases.
- 3.2.7 Introduces a new concept of an open framework which can operate for a maximum of eight years and allow new suppliers to join during the lifetime of the framework.
- 3.2.8 Reduces the standstill period after a contract has been awarded, from 10 to 8 days.
- 3.2.9 Where a contract is valued at more than £5 million, introduces a requirement to publish at least three key performance indicators (KPI's) via a contract performance notice.
- 3.2.10 Introduces Contract Change Notices which will be required for all contract amendments, except where this doesn't change the scope of the notice.
- 3.2.11 Introduces a central digital platform for suppliers to register and store their details so that they can be used for multiple bids and be able to view all opportunities in one place.

### **3.3 Transition**

- 3.4 The new PA23 will only apply to new procurements commenced from the date the Act comes into force. This means contracts let prior to 24 February 2025 will continue to be governed by previous legislation and will not be subject to the requirements of the PA23.

### **3.5 Notices**

- 3.6 Linked to the transparency thread running through the PA23, the most significant change for public authorities contemplating entering into a contract is the number of notices that are now required to be published. As identified above, whilst not all mandatory, these notices apply even before the contract has been identified and throughout the contract period until expiry of such.
- 3.7 This a significant step change for the Procurement Manager to manage and once the contract has been awarded, for the identified contract manager to monitor, review and publish.
- 3.8 There are now a significant number of contract notices required to be published covering the following stages:
  - Planning stage
  - Procurement stage
  - Contract award and extension
  - Contract performance

3.9 Whilst the transparency of the above is understood, the pushing out of this increased information does have a significant draw on resources and poses an increased risk of challenge as there is so much more information available.

3.10 It is clear that whilst the proposed changes by the PA23 will see a reduction in the amount of 'red tape' for the market and businesses, this will not be the case for contracting authorities such as the Council. The Act does require additional work and steps during each procurement.

### **3.11 Pipeline Notice**

3.12 One of the main changes to be introduced is the publishing of a Pipeline Notice. This is seen as an important new step as contracting authorities can provide the market with information about current and future public contract opportunities by publishing a forward-looking procurement pipeline.

This is seen as a particular benefit to SME's and social enterprises as it provides them with time to plan for future work.

This is a requirement for any contract with an estimated value of more than £2 million. It is the collection of individual procurements that make up a contracting authority's procurement pipeline over the next reporting period. The 'reporting period' is 18 months, commencing on the first day of the financial year in which the notice is published.

## **4. Contract Management**

4.1 Whilst there is already a procedure in place for any contract exercise to identify a contract manager, whose responsibility it is to monitor, and manage the contract for the length of the term and all relevant performance issues, the Act will now place additional responsibilities on that contract management. As identified above, the PA23 places additional responsibilities for the duration of the contract for the publishing of any relevant notice, once the award notices have been completed by the Procurement Manager. There will also be a requirement for relevant AD's, service managers or contract managers to identify any contracts which may need to be included in the pipeline notice.

## **5. Contract Procedure Rules**

5.1 As identified above the CPR's are a legal requirement and form part of the Constitution. Whilst the CPR's have been updated to reflect the necessary changes under the PA23, they also set out the process to be followed for contracts for goods, services and works and all relevant thresholds for these which sit under the PA23. They also identify that there may be occasions where they may be an exception to the normal route for entering into a contract, and these exceptions are listed and limited to those as set out.



- 5.2 They also identify that whilst there may be the necessity and the wish to use a Framework agreement, that a simplified procedure will still be required to make clear why a framework has been used.

## **6. Training**

- 6.1 Appropriate training will be undertaken on the PA23 and the revised CPR's with members, CMT, AD's and contract managers, over the coming months to ensure that all those who have a role in contracts are fully prepared for the Act coming into force in February.

## **6.2 Strategic Priorities**

N/A

## **7. Organisational Impacts**

### **7.1 Finance**

There will be a cost of circa £22,000 to assist with the implementation of the Act to cover training as outlined above, and to purchase a suite of documents relevant to implementing the Act. This cost is accommodated within existing budgets.

- 7.2 Legal implications including procurement rules  
As outlined in the report.

Equality, Diversity and Human Rights

- 7.3 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.

The Procurement Act 2023 and the Council's contract procedure require the council to conduct all contracts in a fair, transparent and non-discriminatory manner.

## **8. Risk Implications**

- 8.1 If the Council does not implement the Act properly or does not update the CPR's as necessary, there will be a risk of challenge to the procurement process.

## **9. Recommendation**

- 9.1 That Audit committee make any comments and note the new Procurement Act and revision to the contract procedure rules.

**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:** Carolyn Wheater – City Solicitor  
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<b>1.</b>	<b>Scope of Contract Procedure Rules</b>
<b>1.1</b>	<b>Overview</b>
	<p>These Contract Procedure Rules (CPR's) set out the rules by which we spend money on the supplies (goods), services and works we need to deliver services to the residents of Lincoln. They are an integral part of the Council's Constitution and must be used for any purchase or procurement exercise by ALL employees of the Council or any authorised person buying on behalf of the Council.</p> <p><b>The following sections provide a high-level snapshot of the requirements set out within these CPR's:</b></p> <p><b>Section 4 – para 4.3 – page 14 – Summary Table of Applicable Thresholds</b></p> <p><b>Section 16 – page 59 – 60 – Procurement Flowcharts</b></p> <p>As a public authority the Council has a duty to allow the market the freedom of opportunity to trade with it. If the Council fails in this duty, a potential supplier or contractor may have a legitimate cause for complaint.</p> <p>The CPRs have seven main purposes:</p> <ul style="list-style-type: none"> <li>• To support the delivery of the Council's Corporate Objectives</li> <li>• To provide a legal framework for the Council's procurement activities</li> <li>• To provide an auditable framework for the Council's procurement activities</li> <li>• To help the Council obtain value for money so that in turn it may provide value for money services to the public</li> <li>• To comply with the UK law governing spending of public money</li> <li>• To comply with UK law as required through the Public Contract Regulations (2015) and Procurement Act 2023</li> <li>• To protect staff and members of the Council from undue criticism or allegation of wrongdoing</li> </ul> <p>Some of the rules set out in the document are required by law, others have to be put in place to provide a complete, clear and coherent framework in which people can work.</p> <p>These CPRs recognise that the Council has certain responsibilities as a public authority for which it needs to act collectively:</p> <ul style="list-style-type: none"> <li>• to make the best use of shared buying power</li> <li>• to produce information to comply with the law</li> <li>• to understand the big picture of spending activity to allow the Council to plan, to measure and improve performance and to train and develop its officers.</li> </ul> <p>These Rules <b>DO</b> apply to:</p>

	<ul style="list-style-type: none"> <li>• all contracts for the supply of works, goods or services (including consultancy and agency staff) to the Council, regardless of value</li> <li>• partnership and collaborative arrangements with other public bodies</li> <li>• concession contracts.</li> <li>• contracts for the purchase or sale of any interest in land, (including leasehold interests), where the Council imposes design requirements, and/or specifications and certain outputs (land development transactions)</li> </ul> <p>They <b>DO NOT</b> apply to:</p> <ul style="list-style-type: none"> <li>• contracts for the purchase or sale of any interest in land, (including leasehold interests) which do not impose the above *</li> <li>• contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies</li> <li>• sponsorship agreements</li> <li>• supply of works, goods and services by the council or one of its public sector partners. However, the City Solicitor and the Chief Finance Officer must be consulted where the Council is contemplating this route.</li> </ul> <p>These CPRs promote good commercial practice, public accountability and deter corruption. Following these procedures is the best defence against allegations that a procurement activity has been undertaken incorrectly, fraudulently or unlawfully. These procedures cover contract and procurement activity undertaken on behalf of the Council and within a partnership arrangement, regardless of the source of funding.</p> <p>Officers responsible for procurement and contracting, <b>MUST</b> ensure compliance with these CPRs, the Public Contract Regulations 2015, Procurement Act 2023, Financial Procedure Rules, applicable Grant Fund spending regulations and conditions, and with all UK legal requirements.</p> <p>In addition to the above, due regard to statutory guidance issued by the Crown Commercial Service must be paid, as required by the Public Contract Regulations 2015 and the Procurement Act 2023 (PPN's).</p> <p>These CPR's do not contain procedures relating to making payments and undertaking purchasing activity, i.e. raising purchase orders or using a purchasing card. These procedures are found within Financial Procedures Rules.</p> <p>It should also be noted that these CPR's lay down minimum requirements. More stringent requirements may be appropriate for particular contracts and procurements, dependent on a number of factors.</p> <p>In accordance with the Constitution, the City Solicitor has the authority to make minor amendments to these CPR's, more comprehensive amendments must be approved by Full Council.</p>
<b>1.2</b>	<b>Basic Principles/Compliance</b>
	<p>All procurement activity, including the entering into contracts, on behalf of the Council, must:</p> <ul style="list-style-type: none"> <li>• comply with these Contract Procedure Rules</li> </ul>

	<ul style="list-style-type: none"> <li>• comply with the Council's Financial Procedure Rules</li> <li>• comply with all relevant UK legislation</li> <li>• adhere to procurement principles by being undertaken in a transparent, non-discriminatory and proportionate manner</li> <li>• achieve best value in respect of the use of public money</li> <li>• demonstrate high regard to integrity</li> </ul> <p>Each Director and Assistant Director is responsible for ensuring that his/her department/section complies with these Contract Procedure Rules, Financial Procedure Rules and ALL applicable legislation. They MUST ensure that procurement requirements are appropriately planned, resourced, reported, monitored and awarded. They may delegate the practical elements of the processes to competent officers within their departments, who are then equally responsible for ensuring these CPRs are adhered to.</p> <p>All members of staff and consultants engaged in any capacity to manage or supervise the procurement of any works, goods or services for the Council and/or the subsequent contract MUST comply with these CPR's.</p> <p>In addition to the above, all those involved in any form of procurement/entering into a contract/contract management, must ensure:</p> <ul style="list-style-type: none"> <li>• relevant professional advice is sought, in a timely manner, from Procurement, Legal and Finance.</li> <li>• any external grant funding is used in line with these rules and the conditions to which it was assigned. Where there is conflict Procurement, Legal and Finance advice should be sought</li> <li>• any conflict of interest is declared</li> <li>• payment is only made for goods, services and works delivered at the contract price, the quantity and quality standards quoted for</li> <li>• the budget holder monitors all expenditure through their budget</li> <li>• a fully signed/sealed contract (dependent on value) is entered into prior to the commencement of the provision</li> <li>• an appropriate contract manager is identified, who is accountable for ensuring the contract delivers the goods, services and/or works as set out within the contract</li> <li>• the contract manager follows the required contract management monitoring, and this is fully documented to provide a clear audit trail</li> <li>• the Council's retention policy is adhered too</li> </ul> <p>It is also proposed that these CPRs are reviewed on a regular basis to ensure that they are still fit for purpose and that a full review will be undertaken every three years.</p>
<b>1.3</b>	<b>Contracts</b>
	<p>A contract is an arrangement made by, or on behalf of the Council, with a third party, instructing them to undertake works or for the supply of goods or services.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• the supply of goods</li> <li>• the delivery of services</li> <li>• the execution of works</li> <li>• the hire, rental, repair, maintenance or lease of goods/equipment</li> </ul>

	<ul style="list-style-type: none"> <li>the appointment of agency staff or consultants</li> </ul> <p>It does not include:</p> <ul style="list-style-type: none"> <li>Partnering arrangements (albeit there may be a requirement for a legal arrangement to be entered into)</li> <li>Membership of and/or subscriptions to a recognised bodies (and associated work that they undertake on our behalf)</li> <li>Contracts of employment which make an individual an employee of the council</li> <li>Agreements regarding acquisition, disposal or transfer of land</li> <li>Awarding of grant monies</li> </ul>
<b>1.4</b>	<b>Joint Commissions</b>
	<p>Where the council jointly procures/commissions services with other public sector bodies i.e. local authorities, health authorities etc. the following shall apply:</p> <ul style="list-style-type: none"> <li>A lead authority will need to be determined for the purposes of the provision to be procured and their processes will be adhered too, and any subsequent contract entered into, will be deemed compliant with these CPR's thus meaning no exception to normal routes is required</li> <li>If the procurement/commission is with a NHS body, then adherence to specific regulations will apply i.e. the NHS bodies &amp; LA Partnership Arrangement Regulations 2000 as amended by the NHS Bodies &amp; LA Arrangements (Amendment) Regulations 2015</li> </ul> <p>Where the Council works jointly to procure/commission any goods, services and/or works with other organisations such as those from the private sector, where there are no legislative requirements, the following shall apply:</p> <ul style="list-style-type: none"> <li>Regardless of who the identified lead is, these CPR's will apply as the Council has a legal duty to ensure adherence to various legislation etc</li> <li>Where the contract is procured on behalf of the Council but not in joint names, then there may be a requirement for the third party to indemnify the Council and vice versa.</li> </ul>

<b>2.</b>	<b>Roles &amp; Responsibilities</b>
<b>2.1</b>	<b>Overview - Tree of Responsibility</b>
	<p>This section sets out the Tree of Responsibility in terms of ensuring that the Council has a robust governance process in place to ensure adherence to the requirements of these CPR's.</p> <p>There is a "golden thread" that runs through from Corporate Management Team (CMT) to Contract Managers and in order for these CPR's to be effective, it is essential that all involved understand and comply with them.</p> <p>Whilst inevitably there may be some elements of overlap within the responsibilities of different areas, it should be clear what is required from individual roles when overseeing or undertaking a procurement exercise.</p>
<b>2.2</b>	<b>Procurement Manager</b>
	<p>The Procurement Manager is responsible for:</p> <ul style="list-style-type: none"> <li>ensuring that all procurement undertaken is done so in strict accordance with these CPR's, Public Contract Regulations 2015, The Procurement Act 2023 (depending on when the procurement was commenced/contract entered into).</li> <li>for ensuring that the CPR's are kept up to date on a regular basis and that a full review is undertaken at least every three years.</li> <li>Where appropriate or requested by an Officer within the authority, ensure that any framework arrangement/agreement (ESPO, Scape, CCS etc.) is fully compliant prior to any discussions being entered into or procurement exercise undertaken.</li> <li>ensuring that where a procurement activity is undertaken electronically via the Councils recognised portal (currently Pro Contract), that all requirement stages are completed. This will include the initial entry being made on the Corporate Contracts Register. <b>However, it should be noted that it is then ultimately the responsibility of the relevant Contract Manager to ensure that all details held on the Contracts Register are correct and up to date.</b></li> <li>ensuring that all staff and elected members are aware of their responsibilities under these CPR's and receive adequate training and guidance.</li> </ul> <p>In addition to the above, the Procurement Manager is ultimately responsible for ensuring that where a procurement activity is required, that it hasn't been split into smaller requirements in order to avoid undertaking the necessary procurement process.</p> <p>In conjunction with the City Solicitor, they have responsibility for ensuring that any exception to the normal procurement route is captured and recorded so as to provide a full audit trail of decisions being made. <b>It should be noted though that exceptions to the normal route can only be granted where the contract value is below the relevant threshold.</b></p>

<b>2.3</b>	<b>City Solicitor</b>
	<p>The City Solicitor has delegated responsibility for ensuring that these CPRs are properly administered, adhered too and reflect the most up to date legislation and statutory guidance.</p> <p>As stated above (para 2.2), the City Solicitor will in conjunction with the Procurement Manager, ensure that any exception to the normal route is captured and recorded so as to provide a full audit trail of decisions being made.</p>
<b>2.4</b>	<b>Corporate Management Team (CMT)</b>
	<p>Corporate Management Team (CX, Director of Major Developments, Director of Housing &amp; Investment, Director of Communities &amp; Environment) are collectively responsible for ensuring that all staff fully understand their responsibilities with under the CPR's and comply with them, and that resources are in place via the Procurement Manager/City Solicitor to provide adequate training and guidance.</p> <p>Director's duties are as follows:</p> <ul style="list-style-type: none"> <li>• To ensure that their officers seek and obtain value for money and secure continuous improvement in all procurements.</li> <li>• To ensure no contract is entered into by their Directorate without there being adequate and agreed budget provision, in accordance with FPR's, and by adhering to these CPR's</li> <li>• To ensure compliance with all applicable legislation and seeking advice from the Procurement Manager, where appropriate, prior to the commencement of any procurement related activity</li> <li>• To ensure that Non-Commercial Considerations (i.e. personal conflicts, peer pressure) do not influence any decision to seek quotations or tenders or to enter into any contract.</li> <li>• To ensure <b>all</b> staff (including any agents or consultants acting on their behalf) dealing with procurement for their directorate, are fully aware of and comply with these CPRs and to arrange adequate training on their operation. Ideally training on these should form part of their induction process to the post they hold.</li> <li>• To ensure every contract has a named officer with responsibility for it.</li> <li>• To ensure that their officers keep records of all signed contracts and copies of all relevant documentation to provide a full audit trail of actions taken.</li> <li>• To ensure that the Council's Contracts Register for all contracts greater than £5000 in value is kept up to date</li> <li>• To ensure the Corporate Procurement Pipeline is kept up to date with all procurements greater than £2m in value to be carried out for the next 18 months.</li> </ul>



<b>2.5</b>	<b>Assistant Directors</b>
	<p>All Assistant Directors are responsible for ensuring that Officers within their respective areas adhere to the requirements of these CPR's.</p> <p>It is their responsibility to ensure that procurement is undertaken compliantly and that all contracts entered into:</p> <ul style="list-style-type: none"> <li>• Sign off all tender documents prior to the tender going live, where the tender is over the threshold for goods and services (this also applies to works contracts even though the threshold for this is significantly more)</li> <li>• Appear on the Council's contracts register as soon as they are signed and in advance of any goods/services being received and/or works being undertaken</li> <li>• All contracts are managed in accordance with the requirements of the Council's contract management guidance (see section 12)</li> <li>• Appointed/designated contract managers within their area have undertaken the relevant training and fully understand the requirements Risk Registers are in place and reviewed in accordance with the Council's Lincoln Project Management Model (LPMM) and risk register requirements (see section 14).</li> </ul>
<b>2.6</b>	<b>Legal Services</b>
	<p>Legal Services are responsible for ensuring that all contracts entered into are lawful and provide adequate protection to the council, and that they are properly signed/sealed.</p> <p>It is their responsibility to ensure that the form of contract is relevant, appropriate and proportionate to the provision, and/or to raise any shortcomings in relation to proposed forms, especially where appointments are being made via the use of frameworks/agencies and changes cannot be made. In addition to this they are also responsible for ensuring that any external grant funding requirements are reflected appropriately.</p> <p>They are also responsible for providing advice/guidance in relation to all legal matters, that may form part of, or be associated with, the required provision. This will may include the following, but it should be noted that this list is not exhaustive:</p> <ul style="list-style-type: none"> <li>• Subsidy Control</li> <li>• Collateral Warranties</li> <li>• Deeds of Warranties</li> <li>• Framework provisions</li> <li>• Use of providers own form of contract i.e. agency staff, recruitment agencies etc</li> </ul>
<b>2.7</b>	<b>Chief Finance Officer (S151) &amp; Financial Services</b>
	<p>The Chief Finance Officer (S151) is the officer responsible for the proper administration of the financial affairs of the Council and as such have a duty to provide financial advice and support in relation to all procurement activities and ensure compliance with Financial Procedure Rules.</p> <p>In addition to the above, they are also responsible for:</p>

	<ul style="list-style-type: none"> <li>ensuring that processes detailed within these CPR's are reflected where necessary and compliment the requirements of Financial Procedure Rules. Any conflicts identified, should be discussed with both the Procurement Manager and City Solicitor in order for a resolution to be found and be reflected within both CPR's and FPR's.</li> <li>ensuring that where appropriate, contracts entered into provide adequate financial protection to the council. Whilst suppliers are able to self-certify in respect of their financial standing as part of the procurement activity, a review of this will be undertaken by Financial Services. In addition to this, Financial Services will also undertake financial checks at agreed points during the contract period, as notified by contract managers, as well as in response to a contract manager raising warnings/concerns over a contractors financial standing.</li> <li>ensuring that the form of contract, and the proposed terms/provisions within it, are relevant, appropriate and proportionate from a financial perspective i.e. inflationary clauses, capped liabilities etc. Where it is not, then any shortcomings should be addressed, so that any amendments can be enacted or where it is an appointment being made via the use of frameworks/agencies and changes cannot be made the contract manager is aware of the risks and procedures are put in place to help mitigate these.</li> <li>reviewing the provision being procured and provide the requirements in relation to the insurance cover required.</li> <li>ensuring that any financial related external grant funding requirements are reflected appropriately</li> <li>In conjunction with the City Solicitor providing advice/guidance in relation to all finance related matters, that may form part of, or be associated with, the required provision. This will may include the following, but it should be noted that this list is not exhaustive: <ul style="list-style-type: none"> <li>Performance Bonds</li> <li>Parent Company Guarantees</li> <li>Framework provisions</li> <li>Use of providers own form of contract i.e. agency staff</li> <li>Embedded Leases</li> </ul> </li> </ul>
<b>2.8</b>	<b>Service Managers (if not contract managers)</b>
	Service managers are responsible for ensuring that all procurement related activity undertaken by them and their staff within their service area follow the requirements of these CPR's.
<b>2.9</b>	<b>Contract Managers</b>
	Contract Managers are responsible for ensuring that they manage the contract effectively, efficiently and in accordance with these CPR's (primarily section 12). In summary this will include:

	<ul style="list-style-type: none"> <li>• Monitoring performance of the supplier/contractor against the agreed programme or service level, as appropriate.</li> <li>• Monitoring the continuing level of operational and financial risk (including the risk of fraud) to which the Council may be exposed.</li> <li>• Facilitating the resolution of issues between the supplier/contractor and the key user(s)</li> <li>• Ensuring the prompt settlement of invoices / payments correctly and properly submitted by the supplier/contractor in accordance with the contract.</li> <li>• Ensuring that key certifications are in place i.e. insurance levels, performance bonds</li> </ul>
<b>2.10</b>	<b>Elected Members</b>
	<p>Whilst there is no direct responsibility arising from CPRs in relation to the role of elected members, as members are precluded from entering into contracts on behalf of the authority, they should have an awareness of the requirements of these, and the requirements placed on officers with regard to procurement and contract management, in order to ensure effective scrutiny.</p>

<b>3.</b>	<b>Exceptions to the Normal Route</b>
<b>3.1</b>	<b>Overview</b>
	<p>Whilst the expectation is that any tendering of contracts will be compliant with these CPR's, it is acknowledged that there that may be exceptional situations where it is not possible to follow the normal route.</p> <p>This section sets out those limited occasions where an exception to the normal route may apply:</p>
<b>3.2</b>	<b>Exceptions</b>
	<p>Any exception to the normal route is provided for in exceptional circumstances, as identified below, and only with the agreement of both the City Solicitor and Procurement Manager as well as the relevant Assistant Director/Director.</p> <p>It should be noted that an exception can only be granted where the total value of the provision being procured DOESN'T exceed the relevant threshold. Where the value of the provision exceeds this, this action will require the publication of a Transparency notice and will need to satisfy the mandatory requirements of the relevant procurement legislation.</p> <p><b>Exceptions are as follows:</b></p> <ul style="list-style-type: none"> <li>i. Where urgent/emergency repairs are necessitated by breakdown or other failure of buildings, plant, machinery or ICT software/equipment, necessary to maintain and ensure efficient and continuous service delivery. <i>The relevant definition of "emergency" or "urgent" describes it as "brought about by events unforeseeable by and not attributable to the contracting authority"</i></li> <li>ii. Where renewals, repairs and upgrades to buildings, plant, appliances, machinery, vehicles or ICT equipment/software can only be efficiently carried out and most economically supplied with regard to time, cost and speed of delivery, by the original contractor/supplier or their successors or other sole specialists, subject to it not exceeding the relevant thresholds when aggregated.</li> <li>iii. Where urgent alternative arrangements are required to maintain the delivery of critical services due to the failure of an existing service provider or supplier.</li> <li>iv. Where an emergency situation exists as defined in the Council's Emergency Plan and/or the Corporate Business Continuity Plan</li> <li>v. Works orders placed with utility companies i.e. for re-routing cables or pipework</li> <li>vi. Where the City Solicitor and the Procurement Manager are satisfied that there is only one potential supplier of the required goods, supplies or services</li> <li>vii. Where it is not possible for the direct approach to be made to a local supplier as per the definition in the Local Purchasing Strategy. However, this is only where the City Solicitor and the Procurement Manager are satisfied that there are no more providers.</li> </ul>

	<p>viii. Where it is not possible to request two quotations from local suppliers it is acceptable for all quotations to be from non-local suppliers. However, this is only where the City Solicitor and the Procurement Manager are satisfied that there are no more providers.</p> <p>The use of the Exceptions to Normal Route template is a requirement for all exceptions covered within this section and a copy of this can be found within paragraph 17. Sign off from the relevant Assistant Director/Director is required prior to the completed form being sent to the Procurement Manager and/or City Solicitor for final approval <b>PRIOR</b> to any procurement activity taking place.</p>
<b>3.3</b>	<p><b>Specific Processes for Selected Areas (specific category types)</b></p> <p>In addition to the above exceptions, there is also the exception process in respect of specific category types (below relevant threshold) and this allows for a direct approach to be made to a single supplier up to the relevant threshold, as follows:</p> <ul style="list-style-type: none"> <li>• Where the appointment is in respect of specialist legal advice or for a barrister for defence or prosecution of a specific case. Appointment can only be made by the City Solicitor or an authorised representative.</li> <li>• Where the appointment is in respect of specialist services in respect of The Representation of the Peoples Act then each election i.e. City, County, PCC, BID etc. can be procured on an individual basis with the agreement of the Democratic Services and Elections Manager in conjunction with the City Solicitor.</li> <li>• Where the appointment is in respect of specialist services in respect of a General Election and/or a government authorised election such as a Referendum, then this can be procured on an individual basis with the agreement of the Democratic Services and Elections Manager in conjunction with the City Solicitor.</li> <li>• Where the appointment is in respect of specialist financial advice or specialist internal &amp; external audit support. Appointment can only be made by the Chief Finance Officer or an authorised representative</li> <li>• Where the appointment is in respect of specialist property advice in respect of a one-off bespoke project. Appointment can only be made by the Strategic Property Services Manager or an authorised representative</li> <li>• Where the appointment is in respect of specialist planning advice in respect of a one-off bespoke project. Appointment can only be made by the Assistant Director Planning.</li> </ul> <p>Whilst the above provides an exception to the normal procurement process it is still a requirement of the appointment that all the relevant governance and contractual arrangements are put in place. This may include the drawing together of a contract; issuing a brief and receiving the contractor's response; ensuring insurances are in place etc. Advice should always be sought from the Procurement Manager and/or City Solicitor prior to the commencement of this.</p>

<b>4.</b>	<b>Thresholds</b>
<b>4.1</b>	<b>Council Set (below mandatory legal threshold)</b>
	<p>The following values have been set by the authority and should be followed when undertaking a procurement exercise. All thresholds set by the Council are exclusive of VAT, whereas those set under the relevant procurement legislation are inclusive. There is summary table at the end of this section which provides an at a glance guide.</p> <p>The Threshold levels are set out in paragraph 4.2.</p> <p><b>In respect of Goods, Services &amp; Light Touch Regime (LTR) the following applies:</b></p> <p><b>Less than £5,000</b> – there is no requirement for any formal procurement process to be followed but a purchase order is still required to be raised. There is also no legal requirement for the contract to be recorded within the Councils contracts register, however this would be seen as good practice.</p> <p><b>£5,001 to £15,000</b> – there is no requirement for any formal procurement process to be followed. However, it is the responsibility of contract managers and their Assistant Directors, to ensure that they have undertaken a due diligence review prior to entering into any arrangement and that they are satisfied that it doesn't expose the Council to any unnecessary risk i.e. required insurance levels in place, H&amp;S assessment undertaken etc. Where the review flags up any concerns the use of the contract managers checklist should be undertaken. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p><b>£15,001 to £30,000</b> – a direct approach can be made to <b>one single supplier</b>. <b>You cannot make an approach to multiple suppliers separately.</b> Completion of the contract managers checklist is required and ideally use of the Council's Request for Quotation template (this is not mandatory). The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p><b>£30,001 to Relevant Threshold for Goods &amp; Services</b> – a quotation exercise to be undertaken using the Council's Request for Quotation (RFQ) template. This process is to be undertaken electronically utilising the Council's procurement portal. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p><b>APPOINTMENT OF CONSULTANTS OR AGENCY STAFF:</b></p> <p>All of the following thresholds allow for a direct approach to be made to one consultant or agency. However, it is the responsibility of the appointing officer to ensure that the appointment delivers best value for money, and it is advisable for a file note to be made detailing this. If this cannot be demonstrated, then a quotation exercise as detailed within the Goods &amp; Services section above should be followed (over £30,001)</p> <p><b>Less than £5,000</b> – Discussion with HR is required to compliance with IR35. Officers will be expected to undertake a review of any terms and conditions (T&amp;C's) being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>

	<p><b>£5,001 to £15,000</b> – As per the requirement above for up to £5,000 however the appointment needs to be entered onto the Council's contracts register. Authorisation of the appointment should be made by the Assistant Director</p> <p><b>£15,001 to £75,000</b> – Completion of the contract managers checklist is required and where possible the relevant T&amp;Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Authorisation of appointment needs to be made by relevant Director.</p> <p><b>£75,001 to Relevant Threshold for Goods &amp; Services</b> – Completion of the contract managers checklist is required and where possible the relevant T&amp;Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Authorisation of appointment needs to be made by CMT.</p> <p><b>APPOINTMENT OF RECRUITMENT AGENCY:</b></p> <p><b>Less than £5,000</b> – Officers will be expected to undertake a review of any T&amp;C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, a Purchase Order is to be raised.</p> <p><b>£5,001 to £50,000</b> – a direct approach can be made to <b>one single supplier</b>. <b>You cannot make an approach to multiple suppliers separately.</b> Use of the Council's Request for Quotation template is required as well as completion of the contract managers checklist. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p><b>£50,001 to Relevant Threshold for Goods, Services and Light Touch</b> - a quotation exercise to be undertaken using the Council's Request for Quotation (RFQ) template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p><b>IT LICENCES AND MODULES UPGRADES:</b></p> <p><b>Up to the threshold for Goods, Services and Light Touch</b> – a direct approach can be made to a single supplier. Completion of the contract managers checklist is required and where possible, the relevant T&amp;Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Where the total value of the contract is below £5,000, there is no requirement for any formal procurement process to be followed, however, a purchase order is still required to be raised.</p> <p><b>WORKS AND CONCESSION CONTACTS:</b></p> <p><b>Less than £5,000</b> – there is no requirement for any formal procurement process to be followed but a purchase order is still required to be raised.</p> <p><b>£5,001 to £30,000</b> – there is no requirement for any formal procurement process to be followed. However, it is the responsibility of contract managers and their Assistant Directors, to ensure that they have undertaken a due diligence review prior to entering into any arrangement and that they are satisfied that to doesn't expose the Council to any unnecessary risk i.e. required insurance levels in place, H&amp;S assessment undertaken etc. Where the review flags up any concerns the use of the contract managers checklist</p>
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	<p>should be undertaken. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p><b>£30,001 to £1,000,000</b> – a direct approach can be made to <b>one single supplier</b>. The use of the RFQ direct approach template is mandated. <b>Completion of the contract managers checklist is required. You cannot make an approach to multiple suppliers separately.</b></p> <p><b>£1,000,001 to £2,500,000</b> - a quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p><b>£2,500,001 to Threshold</b> - a quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p><b>Exceptions to the Above</b></p> <p>Whilst all of the above thresholds are in place, Officers can, where they feel it would provide better value for money, advertise the opportunity to the marketplace and/or follow the quotation route rather than make a direct approach. In these circumstances full engagement with the relevant processes is required as detailed within this document. However, prior to this process being undertaken, a file note should be made as to why this was the chosen route which should be signed off, by the relevant Assistant Director for that area.</p> <p>Where a framework is being utilised, the above thresholds do not apply, and the framework providers requirements will need to be followed. However, the contract managers checklist will still be required to be completed and circulated along with the framework providers form of contract and any specific framework information relating to terms i.e. insurance levels etc.</p>										
<b>4.2</b>	<b>Statutory Set (Goods &amp; Services, Light Touch and Works)</b>										
	<p>The relevant thresholds as revised under Public Contract Regulations 2015 on 1<sup>st</sup> January 2024 are as follows:</p> <table border="1"> <thead> <tr> <th>Type</th><th>Threshold (inc. of VAT)</th></tr> </thead> <tbody> <tr> <td>Goods &amp; Services</td><td>£214,904</td></tr> <tr> <td>Works</td><td>£5,372,609</td></tr> <tr> <td>Light Touch</td><td>£663,540</td></tr> <tr> <td>Concessions Contract</td><td>£5,372,609</td></tr> </tbody> </table>	Type	Threshold (inc. of VAT)	Goods & Services	£214,904	Works	£5,372,609	Light Touch	£663,540	Concessions Contract	£5,372,609
Type	Threshold (inc. of VAT)										
Goods & Services	£214,904										
Works	£5,372,609										
Light Touch	£663,540										
Concessions Contract	£5,372,609										
<b>4.3</b>	<b>Summary Table of Proposed Levels</b>										
	<p>The following table provides an at a glance summary of the procurement requirements based on the various contract value thresholds.</p>										



<b>Value</b>	<b>Goods Services &amp; Light Touch</b>	<b>Consultancy &amp; Agency Staff</b>	<b>Recruitment</b>	<b>IT Licences &amp; Module Upgrades</b>	<b>Works</b>
Up to £5,000	No Formal Requirement				
£5,001 to £15,000	No Formal Requirement				
£15,001 to £30,000	Direct Approach				No Formal Requirement
£30,001 to relevant threshold	RFQ process	Direct Approach	Direct Approach	Direct Approach	n/a
£15,001 to £75,000	n/a	Direct Approach	Direct Approach	Direct Approach	n/a
£75,001 to relevant threshold		Direct Approach	Direct Approach	Direct Approach	n/a
£30,001 to £1,000,000	n/a	n/a	n/a	n/a	Direct Approach
£1,000,001 to £2,500,000	n/a	n/a	n/a	n/a	RFQ process
£2,500,001 to relevant threshold	n/a	n/a	n/a	n/a	RFQ process

<b>5.</b>	<b>Calculating the Contract Value</b>
<b>5.1</b>	<b>Overview</b>
	Prior to the commencement of any procurement activity, it is essential that the procurement lead (this can be the contract manager or the operational lead) calculates the total contract value. In order to do they will need to determine the estimated annual spend and the preferred length of contract, including all extension provisions, so that when multiplied together, it provides an estimated annual cost
<b>5.1</b>	<b>Determining the contract length</b>
	<p>It is important when determining the length of time, the contract will be in place for, that the following is considered:</p> <ul style="list-style-type: none"> <li>• How long will the council utilise the provision being procured</li> <li>• Does the marketplace have an optimum length that it will quote for</li> <li>• Is there a high churn of suppliers in the marketplace</li> <li>• Is the marketplace volatile</li> <li>• How does the proposed length reflect internal trends in spend</li> <li>• Impact of inflationary factors</li> <li>• Length of time spent procuring v initial period of contract</li> </ul>
<b>5.2</b>	<b>Determining the total value</b>
	<p>Where a contract/provision has been in place historically, the use of annual spend data held by the Council will help to determine estimated spend. The usual process is to look at the spend over a three-year period to provide an average and then review this to ensure that it is realistic given known parameters/volume of the requirement moving forward along with any inflationary factors that need to be considered. Financial Services will be able to help with the element.</p> <p>Where it is a new contract/provision then officers will need to utilise any market intelligence available and/or their own professional intelligence in this area.</p> <p>It is also important to remember that when calculating the contract value in respect of those which exceed the relevant threshold that VAT is included within the calculation as the thresholds stated are shown in this way. The contract value to be procured will then be:</p> <p><b><i>Annual spend x total years provision to be in place for</i></b></p>

<b>6.</b>	<b>Procurement Routes for above threshold contracts</b>
<b>6.1</b>	<b>Overview</b>
	<p>Where the contract value exceeds the relevant procurement threshold, then the legal requirements and processes must be complied with. Where the procurement is commenced prior to the 24<sup>th</sup> February 2025, adherence should be made to the requirements of Public Contract Regulations 2015. After this date adherence to the Procurement Act 2023 should be followed.</p> <p>Section 9 of these Contract Procedure Rules contains more detailed guidance as the processes to be followed.</p> <p>Specific guidance should always be sought from the Procurement Manager prior to the commencement of any procurement activity that exceeds the procurement threshold.</p>
<b>6.2</b>	<b>Public Contract Regulations 2015 (PCR2015)</b>
	<p>Where the procurement activity was commenced prior to 24<sup>th</sup> February 2025, then PCR 2015 will apply. This will also apply in respect of any management, variations, modifications in relation to the provision in place. There are five types of contract award procedure under the 2015 Regulations.</p> <p>These are:</p> <ul style="list-style-type: none"> <li>• Open</li> <li>• Restricted</li> <li>• Competitive Dialogue</li> <li>• Competitive with negotiation</li> <li>• Innovation Partnership</li> </ul> <p>There are no restrictions in the legislation on the use of the open and restricted procedures. The competitive dialogue, competitive with negotiation and innovation partnership procedures can only be used in certain specified circumstances. Predominantly, the council uses the open and restricted route, and these are covered in more detail in section 9.</p>
<b>6.3</b>	<b>Procurement Act 2023 (PA23)</b>
	<p>Where the procurement activity was commenced on or after the 24<sup>th</sup> February 2025, then PA23 will apply. This will also apply in respect of any management, variations, modifications in relation to the provision in place as well as the requirement to publish any notices for the duration of the contract as stipulated within the Act.</p> <p>The new Act uses only three procedures, not including frameworks and dynamic markets (the new name for dynamic purchasing systems).</p> <p>The new procurement procedures are:</p> <ul style="list-style-type: none"> <li>• Open Procedure</li> <li>• Competitive Flexible procedure</li> <li>• Direct award.</li> </ul>

<b>6.4</b>	<b>Frameworks, Dynamic Purchasing System &amp; Dynamic Markets</b>
	<p>The Council allows for the use of frameworks, dynamic purchasing system (DPS) and dynamic markets (DM) where appropriate. They can help to balance the need to achieve/demonstrate value for money with the resource impact of undertaking a quotation/full tender process.</p> <p>A procurement framework, also known as a framework agreement, is an umbrella agreement put in place between a provider or range of providers that enables buyers to place orders for goods, services and works, without facing the lengthy tendering process for each individual task. Suppliers can only be included at the start of the framework and not at any other time. They can only be in place for a maximum of four years.</p> <p>A Dynamic Purchasing System (DPS) is similar to a framework agreement, but new suppliers can join at any time. It is to be run as a completely electronic process and should be set up using the restricted procedure. They have no restriction in length of contract period.</p> <p>A dynamic market under the Procurement Act 2023 is a list of qualified suppliers who are eligible to participate in future procurements. A dynamic market may be split into categories/parts, with suppliers only eligible to participate in the parts for which they have qualified. DM's must remain open to new suppliers to join at any time. Dynamic markets are available for all types of purchases of goods, services or works, other than those purchased under concession contracts unless the concession contract is also utilities contracts.</p> <p>Where a framework has been identified it is paramount that prior to the commencement of any activity in relation to the appointment of a supplier by this means, both value for money and compliance checks are undertaken. The Procurement Manager will be responsible for ensuring that the Council has been named within the original contract notice (this may be via the framework stating that it can be used by all UK LA's). Contract Managers/Operational Leads will be responsible for ensuring that rates quoted for on the framework reflect those available in the marketplace.</p> <p>In addition, it is also a key requirement that the framework agreements are reviewed by the relevant sections to ensure that they are fit for purpose. Framework agreements in general cannot be amended and must always be awarded in accordance with their documentation. This may leave the Council exposed to more risk and so an assessment of this will need to be undertaken prior to a final decision being made to continue via this procurement route.</p> <p>Frameworks can be used, where the agreement allows for an award via a direct approach or further competition/mini competition. Where its being utilised by way of further competition, then it is essential that the agreement is reviewed to ensure all evaluation of submissions is compliant. For example, in some cases the framework will stipulate the award criteria to be used.</p>
<b>6.5</b>	<b>Concession Contract</b>
	A concession contract is an arrangement between the Council and a supplier, where the supplier is given the right to exploit works and/or services provided for

	<p>their own gain. Suppliers under this regime are often referred to as the “Economic Operator”.</p> <p>Economic Operators can either receive consideration for their services solely through third party sources, or partly through consideration from the Council, along with income received via third parties.</p> <p>There are two types of concession contracts: works and service concessions.</p> <p>A works concession is where the economic operator undertakes the development of, operates and maintains infrastructure.</p> <p>A service concession is where the economic operator provides services of general economic interest. This could be where the Council allow the operator to operator a café in a council site, utilising council owned assets BUT they carry all the commercial risk in terms of profit &amp; loss, and no payment is made by the Council to the operator in return for running the service.</p>
<b>6.6</b>	<b>Light Touch Regime (LTR)</b>
	<p>The LTR is a specific set of rules in relation to certain service contracts that tend to be of lower interest to the marketplace. They were prior to the implementation of PCR2015, known as Part B services and were predominantly social, health and education services. Not all Part B services are now covered under the LTR.</p> <p>Section 10 of these CPR’s provides more detail as to how to undertake this type of procurement exercise</p>
<b>6.7</b>	<b>Contracting Authority to Contracting Authority</b>
	<p>The Council may enter into arrangements with other contracting authorities. This can be in respect of two or more public authorities coming together to deliver public functions in circumstances where a separate legal organisation such as a Teckal company is not formed. Legal advice should always be sought in respect of setting up these arrangements, but it should be noted that there is no requirement to undertake a procurement in accordance with these rules.</p> <p>If the setting up of such an arrangement is considered to be meet the requirement of a Teckal company, then Legal and/or procurement advice should be sought prior to the arrangement being formalised into a contract. Where an entity meets the needs of a Teckal company there is no requirement to undertake a procurement in accordance with these rules.</p>

7.	Steps to be taken Prior to Commencing a Procurement Activity																																
7.1	Contract Managers Checklist																																
	<p>The Council has in place an agreed and formal Contract Managers Checklist. There is one in respect of a new procurement exercise and one for a variation to or extension of a current provision. These must be completed prior to the commencement of any dialogue with any suppliers, whether they are the incumbent or potential suppliers</p> <p>The latest versions of the forms can be found within Net Consent along with various appendices which will help provide you with guidance as to how they need to be completed. Advice is available from the various section leads as identified in the checklist and this checklist will form the master source document as the procurement process progresses.</p>																																
7.2	Approvals in Place																																
	<p>Authority to commence with any procurement should always be in place prior to the commencement of any procurement activity. The following table details the requirements where the budget is in place. Where it's not, then authority for funding will need to be authorised in accordance with FPR's prior to the award of the procurement exercise:</p> <table><tr><td>Type</td><td>Value (£)</td><td>Authority Required</td></tr><tr><td>Goods &amp; Services</td><td>Up to £25,000</td><td>Service Manager</td></tr><tr><td>Goods &amp; Services</td><td>£25,001 to £75,000</td><td>Assistant Director</td></tr><tr><td>Goods &amp; Services (except consultancy &amp; agency appointments)</td><td>Over £75,001</td><td>Director</td></tr><tr><td>Goods &amp; Services (consultancy &amp; agency appointments)</td><td>Over £75,001</td><td>CMT</td></tr><tr><td>Works</td><td>Up to £25,000</td><td>Service Manager</td></tr><tr><td>Works</td><td>£25,001 to £500,000</td><td>Assistant Director</td></tr><tr><td>Works</td><td>£500,001 to £2,500,000</td><td>Director</td></tr><tr><td>Works</td><td>£2,500,001 to threshold</td><td>CMT</td></tr><tr><td>Works</td><td>Over Threshold</td><td>CMT/Executive</td></tr></table>			Type	Value (£)	Authority Required	Goods & Services	Up to £25,000	Service Manager	Goods & Services	£25,001 to £75,000	Assistant Director	Goods & Services (except consultancy & agency appointments)	Over £75,001	Director	Goods & Services (consultancy & agency appointments)	Over £75,001	CMT	Works	Up to £25,000	Service Manager	Works	£25,001 to £500,000	Assistant Director	Works	£500,001 to £2,500,000	Director	Works	£2,500,001 to threshold	CMT	Works	Over Threshold	CMT/Executive
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7.3	Business Case for using Frameworks																																
	<p>Business cases/file notes will be required as follows:</p> <ul style="list-style-type: none"><li>Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds</li></ul>																																

	<p>that set by the council by way of a direct approach but is less than £75,000 a short file note/business case (see section 18) should detail the rationale as to why this process has been taken and should be signed off by the relevant Service Manager</p> <ul style="list-style-type: none"> <li>• Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds £75,001 but is less than threshold (and there is no allowance for a direct approach within the council's set levels), a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Assistant Director</li> <li>• Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Director</li> <li>• Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £25,000 but is less than £75,000 a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Service Manager</li> <li>• Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £1,000,001 but is less than £2,500,000 a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Assistant Director</li> <li>• Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £2,500,000,001 but is less than threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Director</li> <li>• Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Board and/or CMT</li> <li>• Where the provision is currently outsourced and there is an option for it to be delivered in house then a detailed business case should be signed off by CMT then Executive, with the agreement of any relevant committees. (initial discussions should be held informally to determine whether there is the capacity or appetite for it to be brought in house)</li> </ul>
<b>7.4</b>	<b>Social Value</b>
	<p>The Public Services (Social Value) Act 2012, which came into force on 31<sup>st</sup> January 2013, requires all public bodies in England and Wales, for the first time to legally consider how the services they commission and procure might improve the economic, social and environmental well-being of their area.</p> <p>The Council has developed a set of outcomes/principles that will enable it to consider the economic, social and environmental well-being of the City and its residents when commissioning/procuring its contracts. These outcomes/principles are based on the vision, values and priorities set by the Council. More specifically the following has been defined as the Social Value position for the Council:</p>

	<p><i>“A process by which benefits can be made that will improve the quality of life &amp; life chances of City of Lincoln residents and enhance our Civic pride in the city”</i></p> <p>It should be noted that the only legal requirement for SV to be considered for inclusion within a procurement activity is when the value exceeds the relevant threshold. However, it is the Council’s aim that consideration will be given in respect of all procurement exercises, where appropriate and relevant to do so.</p>
<b>7.5</b>	<b>Subsidy Control</b>
	<p>Following the UK leaving the European Union, State Aid rules have been replaced by Subsidy Control.</p> <p>A subsidy is where a public authority such as central or local government provides support to an enterprise that gives them an economic advantage, this could be a grant, cash payment, a loan on favourable terms, or free use of office space or equipment.</p> <p>The Council has in place guidance on this and as part of the completion of the contract managers checklist, the implications of Subsidy Control should be considered.</p> <p>Advice specifically in relation to this, should be sought from the City Solicitor, and any decision as to whether something is a subsidy is decided by a panel comprising the City Solicitor, Chief Finance Officer and Director of Major Developments</p>
<b>7.6</b>	<b>Key Performance Indicators (KPI’s)</b>
	<p>A Key Performance Indicator (KPI) is a measurable target that indicates how a supplier is performing in terms of meeting the goals set within the parameters of the contract.</p> <p>It is essential that KPI’s are fit for purpose and enable both the Council and the supplier to determine whether performance is at the required standard, as well as providing evidence to understand where there maybe issues and how these can be addressed.</p> <p>KPI’s should be reviewed as part of the ongoing contract management meetings and where necessary amended to reflect the current requirement.</p> <p>There is no minimum requirement as to the number of KPI’s a provision should have in place. It is more essential to ensure that they provide meaningful information as well as being relevant and proportionate.</p> <p>Guidance in relation to KPI’s shows that the best plans use between five and seven KPIs to track and manage progress. It also references that the best structured KPI plans include each element of what is called “SMART” criteria:</p> <ul style="list-style-type: none"> <li>• <b>Specific:</b> define what each KPI is intended to measure, and why it is important</li> <li>• <b>Measurable:</b> KPIs should include standards for measurement</li> <li>• <b>Achievable:</b> the KPI should be a realistic, achievable goal</li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Relevant:</b> KPIs are intended to move a business forward, so they need to be relevant to improving outcomes</li> <li>• <b>Time-bound:</b> it's important to set a realistic time frame based on past performance, and make sure that the team sticks to the agreed-upon deadlines</li> </ul> <p>The Procurement Act 2023 (see section 9) requires at least three KPI's in contracts with a value in excess of £5m must be set. It is also a requirement that all these KPI's are published on the relevant platform by way of a notice annually, and that the top three are identified and highlighted. KPI's will also need to be included within the original call for competition notice at the start of the procurement exercise as well as on termination too. Advice on this should be sought from the Procurement Manager in respect of this.</p>
<b>7.7</b>	<b>External Grants/Funding</b>
	<p>Some procurement exercises are wholly, or part funded through the use of external grants. Whilst this is a most welcome source of funding it can bring about additional risks and requirements that the Council would not usually encounter. Some funding bodies will as part of the grant conditions, insist that a procurement is undertaken in a certain way or that an award cannot be made until they have received a detailed procurement report, and this has been signed off by them. It is therefore crucial to understand what, if any, requirements are attached to the accepting of the external funding and how these impact on the Council's usual route.</p> <p>The contract managers checklist has a section for this and as such, should capture all the relevant information, in order for an informed decision to be made.</p> <p>In addition, the Council has in place a Grants Register and this is held by Financial Services. Guidance should be sought prior to the application for any external funding from Chief Finance Officer/Financial Services as detailed within FPR's.</p>
<b>7.8</b>	<b>Pre-Market Engagement</b>
	<p>Prior to the commencement of any procurement activity, it can be advantageous to consult with suppliers in order to:</p> <ul style="list-style-type: none"> <li>• Gain an insight into what/where the market is currently and how that can be used to help shape the requirement being tendered</li> <li>• Help to shape, prepare and plan the procurement</li> </ul> <p>Section 9 of these CPR's looks in more detail as to how legislation governs this process when above threshold. However regardless of the value of the contract, the principle of being Open, Fair and Transparent should be applied regardless.</p> <p>Guidance should be sought from the Procurement Manager <b>prior to any</b> discussions being held with any supplier, <b>the incumbent included</b>.</p>
<b>7.9</b>	<b>Appointment of Consultants/Agency Staff</b>

	<p>Officers should consult with the Procurement Manager and/or Legal Services prior to the commencement of any engagement with a third party (Agency or a Consultant directly).</p> <p>The contract managers checklist should be completed and circulated along with any specific terms and conditions to which the third parties are insisting the Council are signed up too. These can then be reviewed, and any risks highlighted to the contracting officer.</p> <p>Where risks are identified, these should be reviewed by the relevant Assistant Director, and it is their decision as to whether the appointment is to be made. This decision should be captured on the contract managers checklist.</p> <p>An assessment will also need to be undertaken in respect of IR35 and Human Resources will be able to support this process – again this is captured on the checklist.</p> <p>Each appointment of an individual consultant will be viewed as a separate contract and as such the thresholds as detailed within paragraph 4.1 will apply.</p>
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<b>8.</b>	<b>Below Threshold Processes</b>
<b>8.1</b>	<b>Overview</b>
	<p>Where the value of the provision being procured is below the relevant threshold then the Council set thresholds will apply as shown in Section 4. Officers must not sub-divide requirements in order to circumvent the relevant regulations. The principles of above threshold procurement apply and should be adhered to – Open, Fair and Transparent.</p> <p>In general, the use of a Standard Questionnaire (SQ) or any assessment of bidders in order to reduce the numbers of those bidders being invited to the tender stage is not allowed for, albeit there are certain exceptions to this. It is however acceptable for bidders to be asked “suitability” questions but these need to be relevant to the provision being procured and also proportionate. Advice can be sought from the Procurement Manager as to the suitability of the questions being proposed and the use of an SQ.</p>
<b>8.2</b>	<b>Goods, Services &amp; Light Touch Regime</b>
	<p>The following all relates to the procuring of goods, services and light touch regime.</p> <p>Goods are items that are usually (but not always) tangible, such as office equipment, fleet, or IT Hardware.</p> <p>Services are activities provided by other people, such as surveys, project management, training.</p> <p>Light Touch Regime primarily covers off Social Care elements</p> <p>Taken together, it is the production, distribution, and consumption of goods and services which underpins all economic activity and trade.</p>
<b>8.3</b>	<b>Direct Approach under £5k</b>
	<p>A direct approach can be made to <b>one single supplier</b>. <b>You cannot make an approach to multiple suppliers separately.</b></p> <p>Officers will be expected to undertake a review of any T&amp;C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There <b>is no need</b> for the contract managers checklist to be completed, an award notice to be published or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>
<b>8.4</b>	<b>Direct Approach over £5k but below Relevant Council Set Threshold</b>
	<p>A direct approach can be made to <b>one single supplier</b>. <b>You cannot make an approach to multiple suppliers separately.</b> Please see section 4.1 for the relevant contract value levels.</p> <p>The contract managers checklist needs to be completed prior to contact being made with the supplier so as to ensure that all the relevant sections are covered.</p>

	<p>Ideally, the direct approach RFQ template should be issued to the supplier along with the form of contract (T&amp;C's) and other relevant appendices where necessary.</p> <p>The template should include suitable assessment questions to which the supplier is expected to respond. This will then form part of the contract and will enable all parties to see what the requirement of the Council was and how the supplier has stated they will ensure this is delivered.</p> <p>This can then be emailed to the supplier for completion with a required return date. A review of the response should be undertaken by the contract manager to ensure that it demonstrates compliance with the requirement and that it is detailed enough to ensure that the contract can be managed effectively. Clarifications can be sought where needed from the supplier. Once it is deemed compliant then the Contract Manager should contact the Procurement Manager to ask for a formal award letter to be issued to the supplier and Legal Services should be supplied with all the relevant information in order for the contract to be populated. This will include all the documents issued to the supplier along with their responses</p> <p>Once the contract has been signed, the contracts register needs to be updated and this is the responsibility of the contract manager. A copy of the contract should be kept by the contracts manager as well as one also being lodged with Legal Services and the final copy being issued to the supplier.</p> <p>A purchase order should also be raised in respect of the contract being let and advice on this can be sought from Financial Services.</p>
<b>8.5</b>	<b>Request for Quotation over £5k but below Relevant Council Set Threshold</b>
	Where the market is not known or there is a concern in relation to Best Value being achieved etc., Officers are required to follow the process set out within 8.6 below rather than that detailed in 8.3/8.4 above.
<b>8.6</b>	<b>Request for Quotation over Relevant Council Set Threshold but below Threshold</b>
	<p>A quotation exercise is to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. Guidance on this should be obtained from the Procurement Manager as it is their responsibility to create the specific tender portal</p> <p>The contract managers checklist should be completed and circulated to the relevant officers and all responses incorporated within the RFQ template where applicable.</p> <p>A minimum of 4 suppliers should be selected to provide quotations, of which at least 2 should be "local", as defined within the Local Policy (see section14). Where less than the four submit a quotation, the process can still continue but it should be noted that an award does not have to be made if quotations received are not deemed suitable.</p> <p>A formal assessment criterion needs to be determined and this should be split between price and quality. There is no corporate approach to this, it is based on a bespoke case by case basis and should always be relevant and proportionate</p>

	<p>to the contract being let. The Procurement Manager can provide examples of previously used criteria and help shape these to fit the provision being tendered.</p> <p>Once all the documentation has been finalised and signed off as required, then the Procurement Manager will upload to the electronic procurement portal. The selected suppliers will then be found on the system and will be formally invited to partake in the procurement activity.</p> <p>The portal will be “live” for a minimum of 4 weeks but again this will depend on the complexity of what is being tendered. The Procurement Manager will be responsible for the monitoring of the portal and will download all clarifications received from bidders. The Procurement Manager will then utilise a Q&amp;A log which will capture all clarifications and ensure that all bidders see all correspondence. Only commercially sensitive clarifications/questions will be answered directly to the supplier and a determination on this status will be undertaken by the Procurement Manager in conjunction with the City Solicitor.</p> <p>A deadline for clarifications from bidders will be set (usually a week before the bid deadline) as well as a deadline for bids being submitted.</p> <p>No late submissions will be accepted.</p> <p>The evaluation of submissions will be undertaken as details of which are set out in these CPR’s.</p> <p>Once the contract has been signed, the contracts register needs to be updated and this is the responsibility of the contract manager. A copy of the contract should be kept by the contracts manager as well as one also being lodged with Legal Services and the final copy being issued to the supplier.</p> <p>A purchase order should also be raised in respect of the contract being let and advice on this can be sought from Financial Services.</p> <p>There is also the option, as there is with all procurement, where the marketplace is unknown, or Officers feel that it would be advantageous for an “open” process to be followed. This will still be undertaken in the same way as detailed above but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
	<b>Agency Staff &amp; Consultants</b>
<b>8.7</b>	<b>Less than £5,000</b>
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money (the criteria for this should be based on the appointing officer’s knowledge of the marketplace etc). Discussion with HR is required to compliance with IR35. Officers will be expected to undertake a review of any T&amp;C’s being imposed by the supplier in order to ensure that the Council isn’t exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>

<b>8.8</b>	<b>£5,001 to Threshold for Goods &amp; Services</b>
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money (as per above). Completion of the contract managers checklist is required and where possible the relevant T&amp;Cs should be circulated with this for review by Legal and Financial Services. Discussion with HR is required to compliance with IR35, where applicable. The appointment needs to be entered on the Council's contracts register and a purchase order raised.</p> <p>Where a direct approach is not being followed then the process as detailed within paragraph 8.6 above should be adhered too.</p>
	<b>Recruitment Agencies</b>
<b>8.9</b>	<b>Less than £5,000</b>
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money. Officers will be expected to undertake a review of any T&amp;C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>
<b>8.10</b>	<b>£25,001 to £50,000</b>
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money. Completion of the contract managers checklist is required and where possible the relevant T&amp;Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised.</p> <p>Where a direct approach is not being followed then the process as detailed within paragraph 8.6 above should be adhered too.</p>
<b>8.11</b>	<b>£50,001 to Threshold for Goods &amp; Services</b>
	The process as detailed within paragraph 8.6 above will need to be adhered too.
<b>8.12</b>	<b>Frameworks, Dynamic Purchasing Systems &amp; Dynamic Markets</b>
	<p>As detailed in paragraph 6.4 within these CPR's, the use of the above is permitted.</p> <p>There are no statutory thresholds in place in respect of the processes to be followed whilst using frameworks. So, whilst in essence, you can award a contract via a framework for any value, each framework provider will set their own rules as to how the provision must be used. This may mean that some of the following apply, however, please note that this list is not exhaustive, and guidance should always be sought from the Procurement Manager <b>prior to</b> the commencement of any engagement with either a framework provider or individual supplier.</p> <ul style="list-style-type: none"> <li>• Some will have specific value bands especially with regard to works contracts</li> </ul>

	<ul style="list-style-type: none"> <li>• Some will allow for a direct call-off/approach from the framework</li> <li>• Some will allow for only further competition to be undertaken</li> <li>• Some will allow for the formation of your own form of contract i.e. specific clauses as allowed for within a NEC4/JCT</li> </ul> <p>Legislation in respect of Dynamic Purchasing Systems and Dynamic Markets is slightly different to that of frameworks as detailed above under the new PA23 and prior to the use of either of these routes, advice should be sought from the Procurement Manager.</p>
	<b>Works</b>
	<p>The following paragraphs relate to the procuring of works.</p> <p>Works is defined as a contract issued to carry out construction, installation, erection, repair, renovation, maintenance, alteration of any movable or immovable property.</p>
<b>8.13</b>	<b>Direct Approach under £5k</b>
	Officers will be expected to undertake a review of any T&C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.
<b>8.14</b>	<b>Direct Approach over £5k but below £1,000,000</b>
	A direct approach can be made to <b>one single supplier. You cannot make an approach to multiple suppliers separately.</b> The contract managers checklist needs to be completed prior to contact being made with the supplier so as to ensure that all the relevant sections are covered. The direct approach RFQ template should be issued to the supplier along with the form of contract (T&C's). Once the contract has been signed, then the contracts register needs to be updated and a purchase order raised.
<b>8.15</b>	<b>Request for Quotation over £1,000,001 but below £2,500,000</b>
	A quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. A minimum of 3 suppliers should be selected to provide quotations, all of which should be "local", as defined within the Local Policy (see section 14). It should be noted that the process can still continue should less than the 3 suppliers submit a quotation. Once the contract has been signed, then the contracts register needs to be updated.
<b>8.16</b>	<b>Request for Quotation over £2,500,001 but Threshold</b>
	A quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. A minimum of 4 suppliers should be selected to provide quotations, all of

	<p>which should be “local”, as defined within the Local Policy (see section 14). It should be noted that the process can still continue should less than the 4 suppliers submit a quotation. Once the contract has been signed, then the contracts register needs to be updated.</p> <p>There is also the option as there is with all procurement where the marketplace is unknown, or Officers feel that it would be advantageous for an “open” process to be followed. This will still be undertaken in the same way as detailed above but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
<b>8.17</b>	<b>Request for Quotation over £5k but below Threshold</b>
	<p>There is the option that where there is a concern in relation to undertaking a Direct Approach, Officers can follow an “open” process. This will still be undertaken in the same way as detailed above (para 8.11 to 8.13) but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
<b>8.18</b>	<b>Communication With and Clarification of Tender Documents by Bidders</b>
	<p>No form of communication is allowed for with bidders other than via the electronic procurement portal. If site visits are contemplated for within the tender process, lead officers should ensure that minimal communication is undertaken and that where clarifications are sought from the bidder these are requested to be submitted through the electronic procurement portal. These will then be responded to by following the protocol as outlined below.</p> <p>Bidders are allowed to seek clarity on the information included within the tender documentation. Clarifications can only be made electronically through the procurement portal. If Bidders seek clarification via any other method, then no response will be given, and they will be asked to submit via the portal.</p> <p>Where clarifications are received the use of Q&amp;A log will be required and this will detail the clarification sought and the Council's response. It will not detail who raised the clarification, but the Q&amp;A log must be shared with all bidders.</p> <p>Clarifications will have to be submitted within the permitted timeframe detailed within the tender documents.</p>
<b>8.19</b>	<b>Evaluation Process and Role of Evaluation Team Members</b>
	<p>Where tender submissions are received, they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p>



	<p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> <li>• A price/quality split which has been set in order to provide the most economical tender being awarded</li> <li>• A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it</li> <li>• An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score</li> </ul> <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost marking on an individual basis prior to a moderation/scoring meeting being held.</p> <p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p>
<b>8.20</b>	<b>Clarification of Submissions by Evaluators</b>
	<p>Where submissions are reviewed, and the evaluators need to clarify any elements of the submission with Bidders this will be undertaken via the electronic procurement portal. A Q&amp;A log will be produced for each individual bidder, and they will be asked to respond to this within a detailed timeline. This will usually be no longer than one working day, given that clarifications will be based on information they should have to hand. They are not being asked to redraft their submissions.</p> <p>All Q&amp;A logs will be shared with all evaluation team members regardless of who has raised the clarification.</p> <p>Advice on responses given may be required from other services not formally part of the evaluation team i.e. Finance and Legal and this will be permitted.</p>
<b>8.21</b>	<b>Presentations</b>
	<p>The use of presentations is permitted where it is deemed proportionate and relevant to the procurement activity being undertaken. It will be a requirement of the tender documentation to include full details of the process. This will include but not be limited to the following:</p> <ul style="list-style-type: none"> <li>• Setting the presentation question</li> <li>• scoring attributable to the presentation question set</li> <li>• mechanism for how the presentation will work</li> </ul>
<b>8.22</b>	<b>Moderation/Scoring Meeting</b>
	<p>Once all submissions have been evaluated/reviewed individually by the team then a moderation meeting will be held whereby the scores will be discussed to ensure</p>

	<p>that there are no major discrepancies. Depending on the detail held within the tender documentation this meeting will either be to moderate the scores so that they are within one mark of each in order to ensure consistency or be to discuss each question and agree to an agreed score. Details of this process will be detailed within the relevant tender documentation issued as part of the procurement process.</p> <p>The meeting will require all evaluators to attend and will be chaired by the Procurement Manager</p>
<b>8.23</b>	<b>Award</b>
	<p>Once the submissions have been fully appraised/reviewed and the contract manager/lead officer satisfied with the outcome then the formal award can be made. The Procurement Manager will issue a letter to all suppliers who have bid informing them of the outcome.</p> <p>Direct Approach – letter issued to the successful supplier notifying them of our intention to enter into contract with them based on their submission</p> <p>Quotation exercise (under threshold) – letter issued to the successful supplier notifying them of our intention to enter into contract with them based on their submission. Letters also issued to the unsuccessful suppliers detailing their scoring for each question along with those of the successful supplier. In addition, feedback will be given as to why it was deemed that their submission could only score as it did.</p>

<b>9.</b>	<b>Above Threshold Processes</b>
<b>9.1</b>	<b>Overview</b>
	<p>Above threshold procurement is determined by following the requirements set out within the relevant legislation.</p> <p>Where the procurement activity has commenced prior to the 24<sup>th</sup> February 2025, then it will be subject to the requirements laid out within Public Contract Regulations (2015).</p> <p>All procurement activity commenced after this date will be subject to the Procurement Act 2023.</p> <p>There are some significant differences between the two and the following paragraphs detail the high-level processes which need to be adhered in respect of both. Further advice should be sought from the Procurement Manager prior to the commencement of any procurement activity.</p>
	<b><i>Public Contract Regulations (2015)</i></b>
<b>9.2</b>	<b>Pre-Market Engagement</b>
	<p>Premarket engagement is allowed for within the regulations and allows for the consultation of suppliers (both incumbent and prospective) in order for officers to:</p> <ul style="list-style-type: none"> <li>• understand fully what the market can deliver in general terms in relation to the provision being procured</li> <li>• prepare and plan the procurement activity</li> <li>• use experts to help inform and refine the provision being procured</li> </ul> <p>It is essential that all steps possible are taken to ensure that the procurement legal requirements of being Transparent, Proportionate and Non-Discriminatory are adhered to at all times. Officers also need to ensure that any engagement doesn't lead to distortion of competition by being shaped by one supplier more than another. The provision/requirement whilst taking into account feedback from the marketplace needs to primarily still be based on and meet the full needs of the Council.</p> <p>Full minutes/comprehensive notes must be kept of the meetings held and ideally where possible all suppliers should be asked the same initial questions. It is essential that this is undertaken as these can be disclosable and may be appended to the tender documentation issued to be fully transparent.</p> <p>Ideally a Prior Information Notice (PIN) should be published by the Procurement Manager notifying the market that this process is being undertaken and asking those that interested in taking part register their interest.</p> <p>The Procurement Manager should always be consulted prior to any engagement with the market in relation to a forthcoming tender.</p>
<b>9.3</b>	<b>Open Process</b>

	<p>The “open” procedure is where there is a limited marketplace, and it is not anticipated that there will be a high volume of interest. It is a one stage process which assesses both the history/standing of the contractor alongside its ability to deliver the specification. Submissions are undertaken by way of Invitation to Tender. The documentation is a combination of the Selection Questionnaire (SQ) and Invitation to Tender (ITT) used within the restricted process.</p>
<b>9.4</b>	<b>Restricted Process</b>
	<p>The “restricted” procedure is where it is anticipated that the marketplace is large, and interest will be high. This route allows for the shortlisting of suppliers by way of an assessment using a standard selection questionnaire followed by the completion of an ITT by those that have been selected for the second stage. The Standard Selection Questionnaire (SQ) is a standard document which assesses various general aspects of the contractor such as:</p> <ul style="list-style-type: none"> <li>• Financial standing</li> <li>• Company policies i.e. Equality &amp; Diversity, Health &amp; Safety</li> <li>• Previous relevant experience</li> </ul> <p>It should be noted that any criteria assessed at this stage cannot be used again at ITT (Award stage).</p>
<b>9.6</b>	<b>Procurement Notices (PIN, VEAT, Contract Notice, Award Notice)</b>
	<p>PCR’s 2015 mandate the use of various procurement notices at various stages of the procurement. The publication of these is the responsibility of the Procurement Manager.</p> <p>The main notices used are:</p> <ul style="list-style-type: none"> <li>• PIN – prior information notice – this can be used as a notice to alert the marketplace that the Council is potentially looking to procure the provision within the next 12 months. It can also be used as a call for expressions of interest in relation to pre-market engagement</li> <li>• Contract Notice – this notice is the formal notification to the marketplace that the proposed procurement activity is to commence</li> <li>• Award Notice – this is the notice that informs the marketplace that the procurement activity has concluded and that an award has been made</li> <li>• VEAT – voluntary ex anti notice - this notice is to inform the marketplace of the intention to enter into a contract where no formal procurement activity has been followed.</li> </ul>
<b>9.7</b>	<b>Standard Selection Questionnaire (SQ)</b>
	<p>Following the PCR 2015 coming into force there is a fundamental change in the use of standard selection questionnaire. Historically, Councils’ have used these documents as a way of shortlisting for procurement exercises under thresholds. The legislation now clearly states that this is no longer possible for under threshold exercises.</p> <p>Where the tender process is over the relevant threshold and a restricted process is being followed, a SQ can be used. This is a standard document which takes a</p>

	<p>historic look at the operation of the supplier, from both a financial and experience perspective. Information assessed at this stage cannot then be assessed at the ITT stage</p> <p>The use of the SQ enables a reduction in the number of bidders to be undertaken. It is essential though that any shortlisting be identified within the contract notice and in the SQ itself. This can either be a range or an exact number.</p>
<b>9.8</b>	<b>Invitation to Tender (ITT)</b>
	<p>All exercises must be conducted by way of using the electronic portal. No other method is permitted. Submissions received after the deadline will not be considered under any circumstances.</p> <p>The standard template must be used, and this has to be finalised prior to the publication of the contract notice</p> <p>The ITT must:</p> <ul style="list-style-type: none"> <li>• Include a full specification which must describe clearly the Council's requirements in sufficient detail to enable the submission of competitive offers. In preparing the specification, the Lead Officer must have regard to any guidance given from a procurement perspective.</li> <li>• It should also clearly state that the Council is not bound to accept any tender submission.</li> <li>• Detail the award criteria to be applied when evaluating the submission</li> <li>• Clearly state that submissions will only be accepted electronically</li> </ul>
<b>9.9</b>	<b>Evaluation Process and Role of Evaluation Team Members</b>
	<p>Where tender submissions are received (SQ and/or ITT), they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p> <p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> <li>• A price/quality split which has been set in order to provide the most economical tender being awarded</li> <li>• A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it</li> <li>• An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score</li> </ul> <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost mark on an individual basis prior to a moderation/scoring meeting being held.</p>

	<p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p> <p>Evaluating Officers must justify all comments on an objective basis. The more contentious the comments the fuller the justification needs to be. Evaluating Officers must take great care to ensure that the scores match the written record for each evaluation and that there is consistency across all Bidders. It is essential that the written record demonstrates why the highest scoring Bidder provided the best submission.</p> <p>Evaluating Officers must ensure that all scoring commentary is in a professional, business-like language which helps to justify the score that has been awarded. Evaluating Officers should be aware that their commentary may be disclosed to Bidders if there is a legal challenge or a Freedom of Information request. Evaluating Officers should be aware that the evaluation process is an activity where the risk of legal challenge is high.</p>
<b>9.10</b>	<b>Communication With and Clarification of Tender Documents by Bidders</b>
	<p>No form of communication is allowed for with bidders other than via the electronic procurement portal. If site visits are allowed for within the tender process that lead officers should ensure that minimal communication is undertaken and that where clarifications are sought from the bidder these are requested to be submitted through the electronic procurement portal. These will then be responded too by following the protocol as outlined below.</p> <p>Bidders are allowed to seek clarity on the information included within the tender documentation. Clarifications can only be made electronically through the procurement portal. If Bidders seek clarification via any other method, then no response will be given, and they will be asked to submit via the portal.</p> <p>Where clarifications are received the use of Q&amp;A log will be required and this will detail the clarification sought and the Council's response. It will not detail who raised the clarification, but the Q&amp;A log must be shared with all bidders.</p> <p>Clarifications will have to be submitted within the permitted timeframe detailed within the tender documents.</p>
<b>9.11</b>	<b>Presentations</b>
	<p>The use of presentations is permitted where it is deemed proportionate and relevant to the procurement activity being undertaken. It will be a requirement of the tender documentation to include full details of the process. This will include but not be limited to the following:</p> <ul style="list-style-type: none"> <li>• Setting the presentation question</li> <li>• scoring attributable to the presentation question set</li> <li>• mechanism for how the presentation will work</li> </ul>
<b>9.12</b>	<b>Moderation/Scoring Meeting</b>
	<p>Once all submissions have been evaluated/reviewed individually by the team then a moderation meeting will be held whereby the scores will be discussed to ensure</p>

	<p>that there are no major discrepancies. Depending on the detail held within the tender documentation this meeting will either be to moderate the scores so that they are within one mark of each in order to ensure consistency or be to discuss each question and agree to an agreed score. Details of this process will be detailed within the relevant tender documentation issued as part of the procurement process.</p> <p>The meeting will require all evaluators to attend and will be chaired by the Procurement Manager</p>
<b>9.13</b>	<b>Alcatel (Standstill Period)</b>
	<p>Where the contract value is over the relevant threshold then the Alcatel period (which is a mandatory standstill period) will need to be followed. This is a 10-day period (calendar not working days) between the issuing of a successful/unsuccessful letter and the formal award letter. Allowance needs to be made for any bank holidays.</p> <p>During this period, no contact can be made with the successful tenderer. The purpose of the standstill period is to give unsuccessful bidders some time to consider the feedback and seek further information, this is also the time when an unsuccessful tenderer can legally challenge the proposed award. They have to do so in writing formally within the 10-day period. If a “challenge” is made, then the Authority has to respond as soon as is possible (preferably within 24 hours of receipt of the letter) in order to not delay the pending award of contract</p> <p>The City Solicitor and the Procurement Manager are responsible for responding to any challenges received. It is their decision in conjunction with the relevant Director for the service area as to whether the challenge is to be defended. Their combined decision is final and will be communicated to all suppliers/contractors involved where appropriate</p>
<b>9.14</b>	<b>Award</b>
	<p>Once the Alcatel period has passed without an upheld challenge being made, then the award letter can be issued. This will be undertaken by the Procurement Manager</p> <p>Once the award letter has been issued and formal confirmation of acceptance of the appointment has been received from the successful bidder then a formal contract award notice will be issued. This will be undertaken by the Procurement Manager</p>
<b>9.15</b>	<b>Regulation 84 Report</b>
	<p>This report is a requirement of the regulations and captures a full audit trail of the process followed throughout the procurement exercise. It doesn't have to be published but has to be available if requested to be disclosed. The Procurement Manager will complete this report and hold on file.</p>
	<b><i>Procurement Act 2023</i></b>
<b>9.16</b>	<b>Procurement Notices (Pre-Commencement; Award; During Contract)</b>

<p>One of the most significant changes within the new Procurement Act is the number of new notices that contracting authorities legally have to produce when undertaking a procurement activity.</p> <p>There are a significant number of Notices that could be required to be published in respect of each procurement activity (contract value dependant) and one of these is a requirement to detail significant advance planning (a minimum of 18 months) of procurement activity. Failure to comply with these requirements will result in a high risk of legal challenge</p> <p>The following tables shows all the notices that could be required to be published in respect of both the procurement process and also following award, as part of the contract management of the provision.</p> <p>The Procurement Manager will publish these notices as required. However, it is the responsibility of the Contract Manager and their Assistant Director to ensure that all information required to complete this function is provided in a timely manner to the Procurement Manager. It is not the responsibility of the Procurement Manager to populate or chase for this information.</p> <p>Notices numbered 1 to 5 are all published prior to the “go live” date of the tender process</p> <p>Notices numbered 6 to 8 are all part of the “live” tender process</p> <p>Notices numbered 9 to 11 are all part of the award of contract stage</p> <p>Notices numbered 12 to 16 are all part of the contract delivery stage</p> <p>Notices numbered 17 to 18 are all part of the termination process</p>				
	Notice	£25k to Threshold (Goods & Services)	Threshold (Goods & Services) to £1m	Above £1m
1	Pipeline Notice (Corporate Procurement Service – annually)		Advisable	Yes (£2m)
2	Pre-Market engagement activity		Yes	Yes
3	Lot Division		Yes	Yes
4	SME barrier removal		Yes	Yes
5	Preliminary Market Engagement Notice		Yes	Yes
6	Tender Notice		Yes	Yes
7	Dynamic Market Notice		Yes	Yes



	8	Transparency Notice		Yes	Yes
	9	Assessment Summary		Yes	Yes
	10	Contract Award Notice		Yes	Yes
	11	Contract Notice Details	If below threshold notice used	Yes	Yes
	12	Contract Performance Monitoring		Yes	Yes
	13	KPI Publication (annually)			Yes
	14	Contract Performance Notice (annually)		If monitored	Yes
	15	Contract Change Notice		Yes	Yes
	16	Payment Compliance Notice (annually)	Yes	Yes	Yes
	17	Contract Termination Notice (for any reason, including natural end)	If below threshold notice used	Yes	Yes
	18	Procurement Termination Notice (for any reason other than award)	If below threshold notice used	Yes	Yes
Further information in relation to the above is available from the Procurement Manager.					
<b>9.17</b>	<b>Open Process</b>				
	<p>The Open Procedure has been carried over from the current regime. It is the only one that has a prescribed form in the Act — namely, a single stage tendering procedure without a restriction on who can submit tenders.</p> <p>The main difference between the current Open Procedure and the new one is that the minimum time limits set out between the publication of a contract notice and the deadline for the receipt of tenders is no longer procedure specific. Instead, time limits are generally dependent on other factors, as set out in s.54 of the Act. This means that the Open Procedure no longer has its own specific time limits.</p>				
<b>9.18</b>	<b>Competitive Flexible Process</b>				
	This procedure is described in the Act as a competitive tendering procedure “ <i>which is such procedure as the contracting authority considers appropriate for the purpose of awarding the public contract</i> ”.				

	<p>In essence it could be used to construct a “restricted process” as previously allowed within PCR (2015).</p> <p>S.20 of the Act clarifies that when using this procedure, contracting authorities may:</p> <ul style="list-style-type: none"> <li>• limit the number of participating suppliers — either generally or in respect of particular tendering rounds or selection processes</li> <li>• provide for the refinement of award criteria</li> <li>• prevent participation of suppliers that didn’t submit a tender in an earlier round of tendering or were excluded following an earlier round</li> <li>• let a contract by using lots (to which the number of lots a supplier is bidding for can be limited).</li> </ul> <p>This represents a significant shift away from the current regime. There is no mandatory process for the procedure provided that it’s “a proportionate means of awarding the public contract, having regard to the nature, complexity and cost of the contract” (as stated in the Act). Again, there are no procedure specific time limits beyond the general time limits in s.54.</p> <p>This move away from a regulated framework for undertaking a procurement procedure is designed to offer more flexibility to contracting authorities and allow them to design their own procurement procedures that best fit the opportunity for which they are advertising. This helps to meet their needs without the contract in question being straitjacketed into a specific procedure. Also, a more complex procurement can require a more complex procurement procedure without any need to justify whether any gateway for such procedure is met.</p> <p>It should be noted, however, that such flexibility also places a significant burden on contracting authorities. A contracting authority must ensure that whatever process they design for a specific procurement complies with the general procurement objectives and meets the proportionality requirement mentioned above. Given the increased transparency requirements woven throughout the Act, there will be greater scrutiny on the contracting authority’s approach.</p> <p>Regulation 19 of the Procurement Regulations 2024 (which expands on a number of points in the Act) sets out what would be required in a tender notice for a competitive flexible procurement.</p> <p>These requirements include:</p> <ul style="list-style-type: none"> <li>• a description of the process that the procedure will follow</li> <li>• clarity on the number of suppliers that will be invited at different stages</li> <li>• any limits on the number of tenderers</li> <li>• how tenders can be submitted.</li> </ul> <p>This demonstrates a need for a fully realised process to be established prior to going to market.</p> <p>Advice should be sought from the Procurement Manager at the earliest opportunity to ensure compliance.</p>
<b>9.19</b>	<b>Direct Award/Negotiated Procedure without Prior Publication</b>

	<p>Direct awards are available in limited circumstances under the current regime as part of the Negotiated Procedure without Prior Publication.</p> <p>Under s.41, the new Act allows for direct awards — provided that one of the limited grounds in Schedule 5 is present. While this is relatively similar to the current regime, the direct award ability is widened out to additional abilities in s.42 and s.43.</p> <p>It should be noted that this is not direct awards as allowed for under threshold values (i.e. Council set levels) and also those which are allowed within any framework arrangements.</p>
<b>9.20</b>	<p><b>Evaluation Process and Role of Evaluation Team Members</b></p>
	<p>Where tender submissions are received, they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p> <p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> <li>• A price/quality split which has been set in order to provide the most economical tender being awarded</li> <li>• A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it</li> <li>• An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score</li> </ul> <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost mark on an individual basis prior to a moderation/scoring meeting being held.</p> <p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p> <p>Evaluating Officers must justify all comments on an objective basis. The more contentious the comments the fuller the justification needs to be. Evaluating Officers must take great care to ensure that the scores match the written record for each evaluation and that there is consistency across all Bidders. It is essential that the written record demonstrates why the highest scoring Bidder provided the best submission.</p> <p>Evaluating Officers must ensure that all scoring commentary is in a professional, business-like language which helps to justify the score that has been awarded. Evaluating Officers should be aware that their commentary may be disclosed to Bidders if there is a legal challenge or a Freedom of Information request. Evaluating Officers should be aware that the evaluation process is an activity where the risk of legal challenge is high.</p>

<b>9.21</b>	<b>Presentations</b>
	See paragraph 9.10
<b>9.22</b>	<b>Moderation/Scoring Meeting</b>
	See paragraph 9.11
<b>9.23</b>	<b>Clarification of Bids</b>
	See paragraph 9.12
<b>9.24</b>	<b>Award</b>
	<p>This is one of the most significant areas of change within the new Act.</p> <p>Where previously the suppliers were notified whether they had been successful or not by way of a letter which then enacted the standstill period this is now replaced by the publication of an Assessment Summary Notice on the required procurement platform. Once published this should be followed by letters being issued to each bidder as previously undertaken but only once the letters have been issued does the standstill period commence. The standstill period has also been changed and this is now 8 working days rather than 10 calendar days.</p> <p>Once this period has been successfully navigated, then the contract needs to be issued for signing by both parties and only on completion of this (and within 30 days of this being completed), is the Contract Award Notice published.</p>
<b>9.25</b>	<b>Regulation 84 Report</b>
	<p>This report is a requirement of the regulations and captures a full audit trail of the process followed throughout the procurement exercise. It doesn't have to be published but has to be available if requested to be disclosed. The Procurement Manager will complete this report and hold on file.</p>

<b>10.</b>	<b>Light Touch Regime</b>
<b>10.1</b>	<b>Overview</b>
	<p>The light touch regime is a specific set of rules which covers certain service contracts that tend to be of low interest to competition. These services replace those that prior to the PCRs (2015) were known as Part B services and include areas such as social, health and educational services as defined by Common Procurement Vocabulary (CPV) codes.</p> <p>The threshold for LTR procurements is detailed within Section 4.</p> <p>There are a number of regulations within the PA23 which clearly define how a LTR procurement should be undertaken. Further guidance on this can be obtained from the Procurement Manager prior to the commencement of any related procurement activity.</p>

<b>11.</b>	<b>Contract Formalities</b>
<b>11.1</b>	<b>Contract Register</b>
	<p>The Contract Manager is responsible for ensuring that the Council's contract register is kept up to date with all the relevant information pertaining to <b>all contracts with a total value over £5,000</b> which fall within their remit. This will be in relation to the initial entry following award (where the award has been made by way of a direct approach or via a framework provision) and also any subsequent modifications such as a variation and allowed for extensions. Please note that all contracts mean:</p> <ul style="list-style-type: none"> <li>• procured the "normal" way via RFQ/Full Tender</li> <li>• procured via a framework</li> <li>• procured via a direct approach</li> <li>• procured which relate to agency or consultancy appointments</li> <li>• procured via an exception to the normal route</li> </ul> <p>However, where the initial procurement exercise was undertaken electronically (by way of a RFQ or full tender process or mini competition via a framework) it will be the responsibility of the Procurement Manager to populate the initial contract register entry and assign this to the named contract manager. It will then be the contract manager's responsibility to ensure that this is correct and assume responsibility for the entry moving forward.</p> <p>The Council's contract register can be viewed at:</p> <p><a href="http://www.eastmidstender.org">www.eastmidstender.org</a> click view contract register</p> <p>Entries/amendments/updates will be made through the Council's procurement portal, Pro Contract. <a href="http://Log In (due-north.com)">Log In (due-north.com)</a></p> <p>Guidance and training are available from the Procurement Manager.</p>
<b>11.2</b>	<b>Contract Documentation</b>
	<p>Contract Managers should ensure that contracts are in place clearly set out requirements in respect of contract management and performance, in addition to requirements re specification, pricing, business continuity and exit plan, where relevant.</p> <p>The Contract Manager is responsible for ensuring that all tender documentation originally issued, and the supplier's submission is pulled together into the relevant contract template. This should be undertaken in conjunction with Legal Services and a thorough check made to ensure that no amendments have been made to the original form of contract etc that has not been officially agreed too.</p> <p>Contract Managers will need to issue the contract to the supplier for signing and then on return ensure that two copies of the contract are signed/sealed as per paragraph 11.4 below. Once fully signed by both parties, one copy should be issued to the supplier and the other lodged with Legal. They should also ensure that they retain a copy of all contracts for which they are responsible to enable contract management and monitoring to be undertaken effectively and efficiently.</p>
<b>11.3</b>	<b>Supplier/Sub-contractor/Supply Chain</b>

	<p>In accordance with relevant legislation every contract must state that the council will pay the supplier's undisputed invoices within 30 days from receipt of a valid invoice.</p> <p>In addition, the contract should also require that the supplier has a responsibility to pay their sub-contracted suppliers within 30 days of them submitting an undisputed, valid invoice. Please note that this is not 30 days from when the Council has paid the main supplier. It should also be noted that this process should pass down through the supply chain.</p>												
11.4	<b>Contract Signing and Sealing Requirements</b>												
	<table><tr><th>Total Contract Value</th><th>Method of Completion</th><th>By Whom</th></tr><tr><td>Up to £25,000</td><td>Signature</td><td>Service Manager with responsibility for the area</td></tr><tr><td>£25,001 to £75,000</td><td>Signature</td><td>Assistant Director with responsibility for the area</td></tr><tr><td>Above £75,000</td><td>Signature/ Sealing</td><td>Legal &amp; Democratic Service Manager/City Solicitor</td></tr></table>	Total Contract Value	Method of Completion	By Whom	Up to £25,000	Signature	Service Manager with responsibility for the area	£25,001 to £75,000	Signature	Assistant Director with responsibility for the area	Above £75,000	Signature/ Sealing	Legal & Democratic Service Manager/City Solicitor
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11.5	<b>Lodging of Contracts</b>												
	<p>Where possible all contracts should be lodged with Legal Services and a copy kept by the contract manager. However, the minimum requirement in respect of the lodging of contracts is as follows:</p> <p><u>Total contract value over £75,000</u></p> <p>Once a contract or an agreement has been sealed, then legal services will retain one original copy to be allocated a deed packet number and then stored in the Deed Room, with another original copy to go to the other party(ies). Officers will then be notified of the deed packet number for your records. The Contract Manager must keep a copy of any contract or agreement entered into, with a note confirming that the original is in the deed room with the relevant number so it can be traced if needed.</p> <p><u>Total contract value under £75,000</u></p> <p>Whilst it is not a requirement, it is good practice for any signed contract or agreements to store the original documents with Legal Services so that it can be allocated a deed packet number and then stored in the deed room, with the other original going to the other party(ies). Again, you will be given a deed packet number for records. It is advisable that the Contract Manager retains a copy of any contract or agreement entered into, with a note confirming that the original is in the deed room with the relevant number so it can be traced.</p>												

<b>12.</b>	<b>Contract Management</b>						
	<p>Contract management must be an integral part of the consideration when seeking to award a new Contract. All contracts should have in place a named Contract Manager. It is there responsibility to ensure that:</p> <ul style="list-style-type: none"> <li>• the contract delivers all the elements that have been tendered for</li> <li>• that suppliers are paid in a timely manner but only for services/works that have been delivered</li> <li>• that all contract related report information is provided in a timely manner</li> <li>• that the supplier has in place a dedicated contract manager</li> <li>• that contract management meetings are held, and the details recorded in accordance with the risk assessment of the contract</li> <li>• they know and understand their contract fully</li> <li>• they obtain all relevant certificates i.e. insurance on an annual basis</li> <li>• all associated costs, KPI's, deliverables, requirement etc is reviewed on a regular basis and formally updated to reflect current position as and when required</li> </ul> <p>It should be noted that, whilst all of the above are elements that should be included within contract management, it should be set at a level that is proportionate and relevant to the provision being managed.</p> <p>All Contracts should contain a dispute resolution procedure. If a contractor raises a dispute, which is not clearly within the terms of a contract, the contract manager must not enter into any form of negotiation regarding a settlement until discussions have been held with the relevant Assistant Director, The City Solicitor and the Chief Finance Officer.</p>						
<b>12.1</b>	<b>Contract Management Risk Assessment</b>						
	<p>The following table, based on the Council's Contract Tiering Tool, sets out the frequency of which contract management meetings should be undertaken. The requirement for contract management meetings should be clearly set out in the contract documentation.</p> <table border="1"> <tr> <th>Total Value of Contract (£)</th><th>Process to Be Followed</th></tr> <tr> <td>Value is Under Current Threshold for Goods &amp; Services but includes for Works, LTR, Concessions etc.</td><td> <p>Six monthly contract meetings initially but can be flexed to annual if no issues or concerns with contract deliver.</p> <p>Where contract includes for delivery of specific events a formal post event debrief meeting should take place.</p> </td></tr> <tr> <td>Over threshold for goods &amp; services but below £2.5m - Works Contract only</td><td> <p>Goods &amp; Services should have in place quarterly contract management meetings initially but can be flexed to half yearly if no issues or concerns with contract delivery.</p> <p>Works will be monthly project meetings.</p> </td></tr> </table>	Total Value of Contract (£)	Process to Be Followed	Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.	<p>Six monthly contract meetings initially but can be flexed to annual if no issues or concerns with contract deliver.</p> <p>Where contract includes for delivery of specific events a formal post event debrief meeting should take place.</p>	Over threshold for goods & services but below £2.5m - Works Contract only	<p>Goods &amp; Services should have in place quarterly contract management meetings initially but can be flexed to half yearly if no issues or concerns with contract delivery.</p> <p>Works will be monthly project meetings.</p>
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<b>12.2</b>	<b>Contract Management Meetings</b>		
	<p>Contract Management Meetings should be subject to a formal agenda which is issued at least 3 working days in advance. All relevant reports/information to be discussed should also be issued with the agenda so as to allow Officers to digest the information and proper scrutiny be undertaken during the meeting. Agendas should contain standing items such as the following, however it should be accepted that not all will need to be discussed at all meetings.</p> <ul style="list-style-type: none"> <li>• Previous Action Points Update</li> <li>• Invoicing/costs</li> <li>• Delivering the requirement/compliance with specification</li> <li>• Performance</li> <li>• Risk Management</li> <li>• Issues</li> </ul> <p>Minutes and action points from the meetings should be issued within promptly (ideally within 2-3 working days) following the meeting taking place so as to enable them to be formally agreed by all parties and also to ensure that action</p>		

	<p>points are reviewed and completed by the assigned person(s) where possible, prior to the next meeting.</p> <p>Performance management should also be discussed in detail at these meetings and where necessary any issues with performance addressed.</p> <p>An escalation procedure should also be in place for any disputes arising from the contract and where it is not possible for this to be resolved by the two contract managers.</p> <p>Internally contract management should form part of Directorate Management meetings as a standing item and evidence provided to these (or to the relevant Assistant Director) so that this can be clearly monitored.</p>
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<b>13.</b>	<b>Contract Modifications</b>
	<p>Modifications to contracts can be undertaken where the contract allows for this to happen and/or where it meets the strict requirements of the relevant procurement legislation under which the contract was procured – Public Contract Regulations 2015 and Procurement Act 2023</p> <p>Any modifications to contract need to be formally captured within the contract documentation and as such, no agreement should be entered into without first consulting with the Procurement Manager and/or the City Solicitor</p>
<b>13.1</b>	<b>Contract Extensions – included for within existing provision</b>
	<p>Contract Extensions can only be entered into where the original contract has provision to do so. It is the contract managers responsibility to ensure that they are aware of these provisions as well as the relevant clauses which pertain to the relevant notification periods that must be observed where an extension is to be granted. It is also their responsibility to ensure that they have also discussed any related increases to cost/pricing schedules for the extension period and also any updates to the original contract i.e. specification requirement, KPI's etc.</p> <p>The contract managers checklist for extensions/variations should be completed for these changes so that the relevant officers can ensure that the proposed changes are in line with legislation etc.</p> <p>Legal Services will draft the letter based on the information provided and pass this to the Contract Manager to issue.</p>
<b>13.2</b>	<b>Contract Extensions – not included for within existing provision</b>
	<p>Where there is no provision for an extension within the original contract then an extension <b>cannot</b> be entered into. However, there are limited exceptions to this, and advice should be sought from the Procurement Manager and/or the City Solicitor prior to extending the current term i.e. where regulations are not breached in relation to modifications to contracts</p> <p>All contract extensions must be updated in the council's contract register and a copy of the extension letter must be lodged with the original contract.</p>
<b>13.3</b>	<b>Contract Variations</b>
	<p>As with contract extensions, variations can only be made where there is provision within the original contract for them to be made. Where provision has not been made, then prior to any being granted, compliance with the relevant legislation which was in place when the procurement was undertaken originally will need to be followed.</p> <p>Any variations that are undertaken should be done so via the contract managers checklist prior to any agreement being entered into with the supplier.</p>

	<p>Legal Services will provide the formal contract variation documentation once it has been determined that there are grounds within which the variation can be enacted.</p> <p>It is the responsibility of the contract manager to provide all the relevant information in order for this instruction to be undertaken and also for ensuring that the variation is formally signed/sealed by both parties involved.</p> <p>The contracts register should also where relevant be updated with any variations granted and the formal variation lodged with the original contract in Legal Services.</p>
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<b>14.</b>	<b>Other Formalities</b>
<b>14.1</b>	<b>Performance Bonds</b>
	<p>A Performance Bond is an insurance policy under which the Council can make a claim if the supplier does not deliver the requirements as detailed within the contract. It is there to provide protection against a level of costs arising from the Supplier's failure.</p> <p>Factors to be considered as to whether a Performance Bond is required will include:</p> <ul style="list-style-type: none"> <li>• If the contract is of a high value</li> <li>• Where it's a construction contract</li> <li>• Where it's a high profile/high risk contract</li> <li>• If there is no retention on a contract</li> <li>• Any other factor considered to be relevant</li> </ul> <p>If a Performance Bond is required, then 10% is a reasonable standard percent to use in most circumstances, however, if there were significant contracts with a higher risk, it may mean that consideration is given to increasing this based on the circumstances.</p> <p>This will be included for within the tender documents issued and each bidder will have to agree to put this place prior to the commencement of any contract. The form of contract/terms and conditions may also need to be amended to reflect the use of a performance bond.</p> <p>Advice should always be sought from Financial Services prior to the commencement of any procurement activity, by way of the contract managers checklist.</p>
<b>14.2</b>	<b>Parent Company Guarantees</b>
	<p>A Parent Company Guarantee is a legally binding contract between the council and the parent of a subsidiary company which is entering into the contract (the supplier). If the supplier fails to do what it is supposed to do under the contract, then the Council can require the parent company to step in and ensure the provision is delivered. This will be included for within the tender documents issued and each bidder will have to agree to put this place prior to the commencement of any contract. The form of contract/terms and conditions may also need to be amended to reflect the use of a performance bond.</p> <p>Advice should always be sought from Financial Services prior to the commencement of any procurement activity, by way of the contract managers checklist.</p>
<b>14.3</b>	<b>Financial Reviews/Assessments - During Initial Contract Term &amp; Prior to Extensions</b>

	<p>During the lifetime of a contract regular reviews should be undertaken as to the financial standing of the supplier. Whilst the following is proposed as a minimum process to follow, where appropriate and proportionate to the contract being delivered the frequency of reviews maybe regular.</p> <p>Instances when this may arise could be market intelligence showing a significant change in circumstances for the supplier; information received by way of contract monitoring meetings; whistle blowing by supplier employees; supply chain issues etc. All financial reviews will be undertaken by Financial Services.</p> <p>Financial Reviews as a minimum should be undertaken as follows:</p> <table border="1"> <tr> <th>Total Value of Contract (£)</th><th>Process to Be Followed</th></tr> <tr> <td>Value is Under Current Threshold for Goods &amp; Services but includes for Works, LTR, Concessions etc.</td><td>Prior to the end of the initial period of the contract ending and an extension being granted but only where the contract manager has concerns.</td></tr> <tr> <td>Over threshold for goods &amp; services but below £1.5m - Works Contract only</td><td>Prior to the end of the initial period of the contract ending and an extension being granted.</td></tr> <tr> <td>Goods &amp; Services over threshold plus works over £1.5m</td><td>           Based on the tiering tool and ranked:           <ul style="list-style-type: none"> <li>• Gold – financial review should be undertaken on an annual basis</li> <li>• Silver – financial review should be undertaken on a minimum 2-year period</li> <li>• Bronze – financial review should be undertaken on a minimum 3-year period</li> </ul> </td></tr> <tr> <td></td><td></td></tr> </table>	Total Value of Contract (£)	Process to Be Followed	Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.	Prior to the end of the initial period of the contract ending and an extension being granted but only where the contract manager has concerns.	Over threshold for goods & services but below £1.5m - Works Contract only	Prior to the end of the initial period of the contract ending and an extension being granted.	Goods & Services over threshold plus works over £1.5m	Based on the tiering tool and ranked: <ul style="list-style-type: none"> <li>• Gold – financial review should be undertaken on an annual basis</li> <li>• Silver – financial review should be undertaken on a minimum 2-year period</li> <li>• Bronze – financial review should be undertaken on a minimum 3-year period</li> </ul>		
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<b>14.4</b>	<b>Fraud &amp; Corruption</b>										
	<p>All Officers involved with the procurement exercise must comply with the Council's Code of Conduct and must not accept any gift, hospitality or reward from a supplier (or a related subsidiary of the company) whilst the procurement activity is in progress. Where Officers believe that there could be a conflict, they should notify the Procurement Manager and/or City Solicitor immediately for them to make a decision as to whether it is appropriate that they are involved within the process further.</p> <p>Any gifts, hospitality and/or rewards should be recorded on the Council's gifts and hospitality Register. It should also be noted that this should be undertaken at any time, not just during a procurement process.</p>										
<b>14.5</b>	<b>Conflict of Interests</b>										
	<p>From time to time there will be conflicts of interests that occur during a procurement activity. This can be where a close relative works for the supplier</p>										

	bidding for work etc. Where an Officer feels there is a conflict, it is their responsibility to notify immediately their Line Manager and also the Procurement Manager. A decision can then be made as to whether there is a conflict of interest. In the event that it is deemed there is a conflict, then the officer will be removed completely from the process in order to remove any risk of challenge to the Council. Any advice on this should be given by the City Solicitor.		
<b>14.6</b>	<b>Purchase Orders</b>		
	A Purchase Order should be raised and issued to the supplier, for each contract that is entered into. Financial Services will provide advice as to how this is to be done and for what amount etc.		
<b>14.7</b>	<b>Local Policy</b>		
	<p>The Council has in place a Local Purchasing Strategy which details its requirements in detail. However, the definition below defines what is meant by “local” and this is to be adhered too when selecting the required number of “local” suppliers when tendering under threshold provisions.</p> <p><i>“Those suppliers whose trading premises are located within Lincolnshire and/or a 20-mile radius of the county of Lincolnshire’s boundary”</i></p>		
<b>14.8</b>	<b>Form of Contract/Terms &amp; Conditions</b>		
	Procurement activity can include various forms of contract/terms & conditions. It is a legal requirement that the ones being used are published along with the initial contract notice. It is therefore essential that discussions are held with both Legal and Finance as to the suitability of proposed forms/clauses so as to mitigate risk exposure to the Council. The contract managers checklist should be completed, and this should detail the process followed in developing the form of contract. This form will then be used to help respond to any queries raised during the tender process.		
<b>14.9</b>	<b>Risk Register</b>		
	<p>The contract manager must identify, minimise, and manage risk within the contract being procured. This includes supply risk, demand risks, process risks, control risks, environmental and social risks. If a risk is identified, it should be reported to the relevant Assistant Director or Director and then formally monitored as part of the contract management meetings (where there is no formal risk register in place).</p> <p>In line with it’s approach to contract management meetings and financial assessments, the Council utilises it’s contract tiering tool to identify where specific risk registers are required. The requirements under the Lincoln Project Management Model (LPMM) are also taken into consideration.</p> <table border="1" data-bbox="338 1915 1353 2016"> <tr> <td>Total Value of Contract (£)</td><td>Process to Be Followed</td></tr> </table>	Total Value of Contract (£)	Process to Be Followed
Total Value of Contract (£)	Process to Be Followed		

	Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.	No formal risk register required, unless identified as part of LPMM.
	Over threshold for goods & services but below £1.5m - Works Contract only	No formal risk register required, unless identified as part of LPMM.
	Goods & Services over threshold plus works over £1.5m	<p>Based on the tiering tool and ranked:</p> <ul style="list-style-type: none"> <li>• Gold – formal risk register required during procurement process and as part of ongoing contract management for goods and services. For works, risk register required as part of LPMM, during procurement activity and contract period.</li> <li>• Silver – formal risk register required during procurement process for goods and services. For works, risk register required as part of LPMM, during procurement activity and contract period.</li> <li>• Bronze - For works, risk register required as part of LPMM, during procurement activity and contract period.</li> </ul>
	<p>Where a formal risk register is required (based on the tiering tool) these should be put in place at the start of the procurement activity. During the procurement activity they should be a standing item on the relevant operation team meeting/board meeting and any amendments captured as the procurement progresses.</p> <p>Following award, they should be a standing item on the contract management meeting and reviewed/updated as part of this process. Where appropriate risks may need to be highlighted to Directorate Management meetings as part of the Contract standing item on those departmental meetings and appropriate action taken/recorded.</p>	
<b>14.11</b>	<b>Collateral Warranties</b>	
	<p>Collateral warranties are used as a supporting document to a primary contract where an agreement needs to be put in place with a third party outside of the primary contract. It can also provide the third-party contractual rights enabling it to claim for losses which would not otherwise be recoverable.</p> <p>The Council has standard Collateral Warranties.</p> <p>This will be included in the tender documents and terms and conditions, as required. Advice can be sought from Legal Services in respect of this.</p>	



<b>15.</b>	<b>Definitions</b>
	The following table provides definitions of the key terms that have been referred to within this document.

Key Term	Definition
Award Criteria	The criteria used by the Council in order to assess/evaluate the suppliers bids against the requirement detailed within the specification. Criteria can be as follows but not limited to: <ul style="list-style-type: none"> <li>• Price, total cost, schedule of rates</li> <li>• Quality such as resources, qualifications, H&amp;S, innovation, risk mitigation, compliance with the requirement, deliverability of scheme, social value, staff experience, company experience, financial standing</li> </ul>
Bidders/Tenderers/Suppliers	Those who will be engaged to deliver the provision being let
Chief Finance Officer	This is the Council's statutory lead financial officer and designated S151 officer
City Solicitor & Monitoring Officer	This is the Council's statutory lead legal officer
CMT	Corporate Management Team comprising: Chief Executive, Director of Housing & Investment, Director of Community & Environment and Director of Major Developments
Code of Conduct	Council's policy for regulating the conduct of Officers and Members
Collaborative Arrangements	Use of a framework which is managed by a third party such as Pagabo, Espo OR a joint procurement exercise which involves two or more parties
Constitution	This is a document approved by Full Council which allocates the powers and responsibilities within the Council. It delegates authority to act to the Executive, Committees, Executive Councillors and Officers as well as regulating behaviours of individuals and groups through rules of procedure, codes and protocols
Consultants	An individual contracted for a specific length of time to work on a defined project/provision with clear outcomes to be delivered. They are usually engaged to bring specialist skills or knowledge to the process and to bridge the gap

	within the Council where there is no ready access to employees with the relevant skillset, experience and/or capacity to undertake the requirements
Contract Register	An electronic register which is held by the Council and contains all contractual engagements entered into with a value of over £5,000. It is a legal requirement for this to be maintained
Contract Tiering Tool??	The corporate mechanism to be used into the assess the contract management requirement of a contract
Corporate Contract	A contract used by more one than one department
Deed	A signed and sealed instrument containing a legal transfer, bargain or contract
Dynamic Purchasing System	A fully electronic compliant “Approved List” which operates on a similar basis to a framework other than suppliers can join at any point while the DPS is liv, subject to them meeting the relevant criteria
Electronic Tendering	A secure online facility for undertaking a procurement process
Estimated Total Contract Value	This is estimated value based on the annual spend x number of years the provision is in place for
Evaluation Team	This is the officers chosen to review, assess and score the submissions received in respect of the provision being procured
Financial Procedure Rules	These are the rules which outline officer responsibilities for financial matters
Form of Contract	This is a type of term and condition and as such is the legal/financial model which determines how the contract will operate
Framework Agreements	A legislation complaint agreement between a third party and a supplier(s), the purpose of which is to establish the terms under which subsequent procurement related appointments/awards can be made by a contracting authority
Framework Supplier	A supplier who has been successful in attaining a place on a framework
Invitation to Tender	A key stage/document within the tender process. Used to assess the supplier’s suitability to deliver the stated provision
Modification of a Contract	Any change to the original provision of the tender and/or contract

Parent Company Guarantee	A contract which binds the parent of a subsidiary to act if the subsidiary fails to do so.
PA23	Procurement Act 2023 is the legislation that sets out how procurement should be undertaken. It comes into force with effect from 24 <sup>th</sup> February 2025. Any procurement undertaken from this date will be governed by these requirements.
PCR 2015	Public Contract Regulations 2015 is the legislation that was embedded into UK law and set out how procurement should be undertaken. Any above threshold procurement from February 2015 to 24 <sup>th</sup> February 2025 is governed by the requirements of this.
Performance Bond	This is a form of insurance policy which provides protection to the contracting authority in the event that the supplier fails to deliver on the requirements of the contract
Request for Quotation	Procurement process for under threshold value exercises
Seal	Process by which a contract is “signed” when over a certain limit and when executing a deed
Selection/Standard Questionnaire	This is the government form which must be used for over threshold tenders to assess a suppliers suitability based on pre-determined selection criteria
Small and Medium Sized Enterprises (SME's)	Any business with fewer than 250 employees and either an annual turnover of less than £45m or a total balance sheet of less than £40m
Specification	This is the council's requirement in relation to the delivery of the provision being tendered for
Teckal company	This is a company set up by a contracting authority to deliver some of the Council's functions. It is as defined within PCR 2015 regulation 12
Terms and Conditions	These are the legal/financial related clauses which define and determine how the contract will be operated, and which govern all parties involved
Total Contract Value	This is the total value of the successful bidder's response to the requirement being tendered
TUPE	Transfer of Undertakings (Protection of Employment) – this is the legislation that governs the process to be followed where staff are to be transferred from one supplier to another. It is there to ensure that the rights of employees are transferred along with the business

Value for Money	This is where cost and quality combine to produce a service which meets the technical requirements of the provision as well as the cost at an acceptable level
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<b>16.</b>	<b>Procurement Flow Chart</b>
	<p>For ease of use the Procurement Flow Chart has been split in order to clearly capture the new processes for below threshold procurement in respect of Goods, Services &amp; Light Touch Regime and Works.</p> <p>There is no detailed flow chart for processes over threshold under the Procurement Act 2023 given the potential variations/complexities around mandatory timelines.</p>

## Procurement Flow Chart – Below Threshold for Goods, Services & Light Touch Regime

Identify the need to Procure & estimate the total value of the contract  
**Contract Value: annual value x contract length**  
 e.g. £20 k spend per annum x 5-year contract = £100,000 total value of contract

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**Total Value less than  
£5,000**



Competitive quotations are not required. A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. **No requirement** for a formal contract to be in place

**Total Value exceeds  
£5,001 but less than  
£20,000 (Goods) or  
£30,000 (Services/LTR)**



Competitive quotations are not required. Review available frameworks (ESPO, OGC etc). A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. A formal contract **STILL** needs to be in place. Where the market is unknown then the process for above £20,001(Goods) or £30,001 (Services) should be followed.

**Total Value exceeds  
£20,001 (Goods) or  
£30,001(Services/LTR)  
but is under the  
Threshold for Goods &  
Services**



Four quotations must be requested via the Request for Quotation documentation. The process should be conducted electronically utilising the electronic procurement portal (currently Pro Contract). Where possible at least two of the quotes should be obtained from a local supplier.

Where a compliant framework is being utilised then the above value bands do not apply and an appointment for any value allowed for within the framework agreement can be entered into. Frameworks can be accessed via use of further competition or via direct award

Completion of the Contract Managers checklist is required prior to the commencement of **ALL** procurement activity – this includes a direct award **UNLESS** under £5k total value.

Where a framework agreement is being used and a direct award is being made, it is advisable for a file note to be kept. See Section 18

Full details of contract award (over £5k in total value) need to be held on the Contracts Register. A direct award process, this is the sole responsibility of the contract manager. If the procurement portal is used the Procurement Manager is responsible.

A thorough review of whether there is TUPE implications should be undertaken prior to commencing on any procurement activity and this should be undertaken in consultation with Legal Services and Human Resources.

A purchase order should be raised for all contracts.

## Procurement Flow Chart – Below Threshold for Works

Identify the need to Procure & estimate the total value of the contract  
**Contract Value: annual value x contract length**  
 e.g. £20 k spend per annum x 5-year contract = £100,000 total value of contract

Total Value less than  
**£1,000,000**

A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. A formal contract required to be in place.

Completion of the Contract Managers checklist is required prior to the commencement of **ALL** procurement activity.

Where a framework agreement is being used and a direct award is being made, it is advisable for a file note to be kept. See Section 18

Total Value exceeds  
**£1,000,001** but less than  
**£2,500,000**

Three quotations from local suppliers (where possible) must be requested via the RFQ documentation. The process must be conducted electronically utilising the procurement portal.

Full details of contract award (over £5k in total value) need to be held on the Contracts Register. A direct award process, this is the sole responsibility of the contract manager. If the procurement portal is used the Procurement Manager is responsible.

Total Value exceeds  
**£2,500,001** but is under  
**Threshold for Works**

Four quotations from local suppliers (where possible) must be requested via the RFQ documentation. The process must be conducted utilising the procurement portal.

A thorough review of whether there is TUPE implications should be undertaken prior to commencing on any procurement activity and this should be undertaken in consultation with Legal Services and Human Resources.

Where a compliant framework is being utilised then the above value bands do not apply and an appointment for any value allowed for within the framework agreement can be entered into. Frameworks can be accessed via use of further competition or via direct award

A purchase order should be raised for all contracts.

<b>17.</b>	<b>Exception to the Normal Route Request Template</b>

APPROVAL EXCEPTION TO CONTRACT PROCEDURE RULES
Contact Name:
Job Title:
Date:
Description of Contract – this should include the estimated value; brief details of service; contract duration etc.
Reason for Request – this should relate to the relevant CPR against which the exception is being sort, together with full supporting information.
Assistant Director: (Print & Sign Name) Date:
Recorded and Approved by Procurement Manager:  Date:
Approved by City Solicitor:  Date:

<b>18.</b>	<b>Business Case/File Note Template</b>
	Below is a template which can be utilised when detailing why a certain process has been followed rather than any other.

<b>BUSINESS CASE TEMPLATE</b>
Contract Manager:
Job Title:
Date:
Description of Process Followed:
Reason for Process Followed:
Assistant Director: (Print & Sign Name) Date:
Recorded and Approved by Procurement Manager:  Date:
Approved by City Solicitor:  Date:



19.	<b>Contract Managers Checklist</b>
	<p>The following references the two checklists that should be completed along with the relevant appendices which provide additional information to help contract managers understand what the various sections are for. All documentation is available to download within Net consent.</p> <p>Contract Managers Checklist – New Provision/Contract</p> <p>Contract Managers Checklist – Extension/Contract Variation</p> <p>Appendix One – Contract Manager Procedures V8.0 - 08.03.2024</p> <p>Appendix Two – Procedures for Financial Matters in Procurement Processes V3.0 031022</p> <p>Appendix Three – Contract Management Meeting Agenda V 5.0 - 26.02.2024</p> <p>Appendix Four – Addendum to Contract V 2.0 171122</p> <p>Appendix Five - Signing &amp; Sealing Guidelines V 2.0 171122</p> <p>Appendix Six - Sealing Authority V 0.3 171122</p>

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**AUDIT COMMITTEE**

**10 DECEMBER 2024**

**SUBJECT: ANNUAL COMPLAINTS PERFORMANCE AND SERVICE IMPROVEMENT REPORT 2023-2024**

**DIRECTORATE: CHIEF EXECUTIVES & TOWN CLERK**

**REPORT AUTHOR: JOANNE CROOKES, CUSTOMER SERVICES MANAGER**

**1. Purpose of Report**

- 1.1 To present an annual complaints report including details from the Annual Review of Local Authority Complaints issued by the Local Government and Social Care Ombudsman (LGSCO) and the decisions of the Housing Ombudsman Service (HOS).
- 1.2 To report on the overall number of complaints received by the Council on a Directorate basis for the full year 2023-2024, including performance against target response times and the percentage of complaints which are upheld.

**2. Background**

- 2.1 The council's complaints procedure includes two levels in response to formal complaints. Once the complaint has been considered and responded to by two separate officers the complainant is advised that if they are not satisfied with the final response, they can seek redress the relevant Ombudsman service.
- 2.2 Complaints relating to the landlord function of the council, as a provider of social housing, are escalated to the Housing Ombudsman Service. All other complaints, about any other service or aspect of council business fall under the jurisdiction of the Local Government and Social Care Ombudsman.
- 2.3 In April 2024 the Housing Ombudsman Complaint Handling Code (The Code), became statutory for all social housing providers. We have updated our policy to ensure that we comply with the code and, as it represents best practice in dealing with customer complaints, we have adopted the principles of the code as a corporate policy. This report summarises our performance in 2023-2024 i.e. before the Complaint Handling Code came into force.
- 2.4 There are a number of elements in The Code which are designed to ensure that our complaint handling performance is both effective and transparent. The HOS has a statutory duty to monitor our compliance with the code and they have powers to issue Complaint Handling Failure Orders where they find that performance is not conforming with The Code.
- 2.5 The main changes to our complaint handling are in terms of reporting of our performance, learning lessons from complaints, and ensuring that customers find it easy to make a complaint. We already had timescales for complaint handling which reflect the recommended response times in the code. These are:

- Initial acknowledgement within 5 days
  - Level 1 complaints to be responded to within 10 working days of the acknowledgement, and
  - Level 2 complaints to be resolved within 20 working days of the acknowledgement.
- 2.6 The Code requires that we complete an annual self-assessment against all of the provisions set out in the code. The self-assessment requires that we consider each element of the code and certify ourselves as either “Complied” or “Not Complied” with each of 78 provisions. Our self-assessment was also considered by the Lincoln Tenant’s Panel prior to submission.
- 2.7 Our 2024 Corporate Complaints Policy and Guidance is compliant with many of the provisions but there are a small number of areas where we had to undertake work. At date of submission of the initial self-assessment (30 June 2024) only 5 of the provisions were self-assessed as non-compliant at the date of submission (30 June 2024) as detailed in 2.8 below. These are now almost complete in demonstrating full compliance with The Code. The self-assessment is available for inspection on the Council’s website and is attached to this report as Appendix A.
- 2.8 The areas declared as non-compliant (as things were on the date of self-assessment i.e. 30 June 2024) are:
1. The annual Complaints Performance and Service Improvement Report must be presented to members and published on our website. This report and subsequent publishing on our website will satisfy this provision.
  2. The annual Complaints Performance and Service Improvement Report must include details of the annual self-assessment against the code. This report and subsequent publishing on our website will satisfy this provision. The self-assessment itself is already published on our website and has been submitted to the Housing Ombudsman.
  3. There should be a policy to deal with unacceptable resident behaviours (in making complaints) which reflect the provisions of the code. This has been developed and will be adopted following approval by committee. This has been reviewed by Housing Scrutiny Sub Committee on 31 October 2024 and will be presented to Executive for approval on 18 November 2024.
  4. There should be a Remedies Policy to reflect the provisions of the code. This has been developed and will be adopted following approval by committee. This has been reviewed by Housing Scrutiny Sub Committee on 31 October 2024 and will be presented to Executive for approval on 18 November 2024.
  5. The requirement to have an objective around complaint handling for each relevant staff member was certified as an area of non-compliance but the latest review of job descriptions has identified that that each employee has reference to this in their job description and going forward it is recommended that this is captured in the annual appraisal.

### **3. Complaints – Annual Performance (April 2023 – March 2024)**

- 3.1 The number of complaints received over the year has slightly decreased over the peak of the previous year. Please see the figures in the table below at 3.3.

It is worth noting that there were some council services who had suspended their operations for several months in the year 2020-2021, due to Covid restrictions, and this will have reduced the potential for something to go wrong in that time and consequently kept complaints low.

- 3.2 In 2021, following the publication of the Housing Ombudsman's Complaint Handling Code, we changed our measure on response times to reflect the expectation that all complaints should be responded to within the agreed target time of 10 days for level one or 20 days for level two. Prior to this development we reported on the overall average response time across all complaints.

3.3

Year	Number of complaints	Average response time
2019-2020	338	7.4 days
2020-2021	260	8.1 days
2021-2022	392	66% within target
2022-2023	459	70% within target
2023-2024	418	67% within target

#### 4. Breakdown of Complaints

- 4.1 Of the 418 complaints received for 2023-2024 the broad categories they relate to are set out in the table below. The figures for the previous 2 years are included for comparative purposes.

4.2

Service area or responsibility	2021-2022	2022-2023		2023-2024
Repairs & Maintenance	166	199		178
Community Services	7	15		36
Parking	7	39		33
Tenancy issues	67	75		29
Housing Solutions	64	51		26
Council Tax / NNDR	27	22		18
Planning and building control	5	9		17
Housing Investment	6	17		16
PPASB service	13	5		15
Events (Christmas Market)	10	7		13
Major developments	3	1		7
Recreation and Leisure	0	1		7

Private Housing	2	7		6
Bereavement Services	0	1		5
Benefits	4	0		3
Customer Services	2	2		3
Licensing	1	0		2
Financial Services	0	0		2
Legal Services	0	2		1
I.T (website)	0	0		1
Bus Station	1	1		0
Civic & Democratic Services	0	2		0
Property Services	1	2		0
Environmental Health	1	1		0
Human Resources	1	0		0
Total complaints	392	459		418

- 4.3 Upheld complaints: Of the 418 complaints responded to in 2023-2024, Just over 50% (211) were upheld. This is in line with the 55% upheld last year.

In instances where a complaint is upheld customers are offered an explanation and an apology. In certain circumstances they may also be offered some other form of redress. Additionally, the officer upholding the complaint completes a feedback form for the directorate complaint monitoring officer outlining lessons learned, training needs and any recommended changes to procedures.

- 4.4 The lessons learned are reported through each Directorate Management Team (DMT) by the Directorate Monitoring Officer. DMTs are therefore fully aware of the complaints received. Where any changes to procedure are required or potential policy developments are needed these are discussed and taken forward as appropriate.

## 5. Local Government and Social Care Ombudsman Annual Review Report

- 5.1 The LGSCO Advice team provides comprehensive information and advice to both the public and local authorities on complaints. It also produces an annual review of local government complaints which includes an overview of trends, followed by statistical tables detailing the numbers of complaints received from each local authority area broken down into general service areas. This data is published on their website.
- 5.2 The second data set details the number of decisions made and the outcome of those complaints which the LGSCO has undertaken to investigate fully. In terms of outcome the only data published is whether the investigation has led to the complaint being upheld or not upheld. Details of the complaints themselves, the decision and any recommendations are now only available in the form of individual published decisions as they are released throughout the year.
- 5.3 In the year to 31 March 2024 the LGSCO made decisions on 13 new complaints about City of Lincoln Council services. This is in line with the previous two years, which saw 13 and 11 complaints respectively moving to the Ombudsman stage.

The general service areas of these were as follows:

Service Area	2021-2022	2022-2023	2023-2024
Environmental Services	1	1	0
Housing	3	7	6
Revenues and Benefits	6	3	1
Corporate Services	0	0	0
Highways and Transport	0	2	2
Planning and Development	1	0	4
Totals	11	13	13

- 5.4 One of the complaints were referred back for local resolution: This had not been through our own complaints procedure, and we had therefore not had the opportunity to investigate or resolve the complaint before the customer involved a third party in the issue. In effect this is not an LGSCO complaint.
- 5.5 Three of the complaints were closed after initial enquiries: These complaints are where the Ombudsman has decided that it could not or should not investigate the complaint; usually because the complaint is outside LGSCO's jurisdiction, and they cannot lawfully investigate it. The early assessment of a complaint may also show there was little injustice to a complainant that would need an LGSCO investigation of the matter, or that an investigation could not achieve anything, either because there was no fault, or the outcome a complainant wants is not one that the LGSCO could achieve, for example overturning a court order.
- 5.6 In four cases there was advice given: These are cases where the LGSCO would not look at a complaint because they had previously looked at the same complaint from the complainant, or another complaint handling organisation or advice agency was best placed to help them.
- 5.7 There were five complaints which were deemed appropriate for a full investigation. This compares with one investigation undertaken in the previous year and two for the year before that. Of the five fully investigated complaints three were "Not Upheld" and two were "Upheld". This is reported and published as an "Uphold rate" of 40%. The average District Council Uphold rate is 63%.
- 5.8 The two upheld complaints were reported as follows:
1. Housing Solutions: Decided 30 May 2023 - Mr X complained the Council failed to carry out proper checks and misrepresented information about a prospective tenant introduced to him under its private landlord scheme. There was fault by the Council in failing to carry out, or properly carry out all the checks it said it would complete, and to be open and transparent about this and the information it had obtained, causing injustice. The Council agreed to the suggested remedy, by apologising to Mr X, making a payment to reflect the worry and uncertainty caused and undertook a service improvement.
  2. Highways and Transport (Car-Parking): Decided 10 July 2023 - Mr X complained the Council failed to follow statutory guidance on enforcing

parking restrictions through a lack of signage at a car park detailing the relevant conditions of parking. Mr X also complained the Council failed to consider the Equality Act 2010 by failing to make reasonable adjustments for disabled drivers. There was fault by the Council for its delays in implementing new signage and the way in which the Council handled Mr X's complaint. The Council agreed to apologise to Mr X, pay him compensation and complete a review of the signage at the car park.

## **6. Housing Ombudsman Service Complaints**

- 6.1 Tenancy related complaints i.e., those which are classed as a landlord function, are referred to The Housing Ombudsman Service (HOS), rather than being dealt with by the LGSCO.
- 6.2 The Housing Ombudsman publishes its decisions and a summary of landlord performance on its website. They create individual reports for landlords with 5 or more findings in the year. These findings are counted individually and there may be multiple findings from a single complaint.
- 6.3 In 2023-2024 The Housing Ombudsman upheld 2 complaints made to it by our residents. These 2 complaints resulted in 5 findings, and the Council has received an individual report to this effect which was published on 5 November 2024. The details of these were as follows in para 6.4:
- 6.4 Upheld Housing Ombudsman Complaints:
  1. The tenant complained about ongoing outstanding repairs which were not completed. There were reports of damp and mould which were not dealt with in accordance with policy, and there was a delay in responding to the tenant's complaints. The HOS found fault with the council and issued a finding of Service Failure in dealing with the repairs, and two findings of Maladministration. These were in connection with how the Damp and Mould was dealt with and another finding of Maladministration for delays in responding to the complaint. This one complaint resulted in three findings.

For this complainant, the following remedies were ordered.

- A written apology to the tenant for the service failure identified in the investigation.
  - The council to perform a survey of the resident's property and provide the resident with a list of the works needed to combat any damp and mould identified in this survey along with timescales for completing the work.
  - Payment of compensation for distress caused by the delays.
  - Provide evidence to the HOS that we have complied with the orders.
2. The tenant complained about Damp and Mould in the property. This was not dealt with in a timely manner and tenants were affected by the condition of their home. The HOS found fault with the council and issued a verdict of Maladministration for how with the Damp and Mould was dealt with and another finding of Maladministration for how the complaint was handled. The maladministration in dealing with the complaint was associated with a



situation where an officer was promoted internally, had dealt with the level one complaint as a supervisor and then responded to the level two complaint in their new role as service manager due to a cross over period. The policy states that the level one and the level two complaints will be investigated by two separate officers, and therefore did not adhere to policy on this occasion. This one complaint resulted in two findings. The following remedies were ordered:

- A written apology to the tenant for the failures identified in the investigation.
- Payment of compensation for distress caused by the delays.
- Completion of a post inspection report, with a copy sent to the tenant.
- A management review of the complaint handling process to be completed and submitted to the HOS.
- A self-assessment against the HOS Spotlight report on Damp and Mould to be completed and submitted to the HOS.
- A self-assessment against the HOS Spotlight report on Knowledge and Information Management to be completed and submitted to the HOS.
- Refresher training to be provided to staff dealing with complaints.
- Provide evidence to the HOS that we have complied with the orders.

6.5 The Council has complied with the orders and recommendations of the Housing Ombudsman and have received a rating of 100% compliant in our report.

## **7. Complaint Trends**

7.1 In the full year to 31 March 2024 there has been a slight decrease in the number of complaints received compared to the previous year.

7.2 Complaints from our tenants about repairs to their homes, continue to be our most common complaint although there was a reduction in 2023/24 compared to the previous year. The Council, along with other stock holding authorities and Registered Social landlords continued to see reports of damp, mould and condensation within our stock during this reporting period.

7.3 Complaints about Community Services, Major Developments, Planning and Building Control, Recreation and Leisure and PPASB have increased on the previous year.

7.4 Complaints about Tenancy Services and Housing Solutions have seen a notable reduction in the number of complaints received over the year. Additionally, complaints to DHI during 2023/24 decreased by over 100 when compared to previous years.

7.5 It should be noted that in April 2024, the Housing Ombudsman Complaint Handling Code became statutory. The way that complaints are handled has changed from April 2024 to ensure that we are complying with the requirements of the code. Any resident expressing dissatisfaction informally must be given the opportunity to make a complaint which receives a formal response. As such, it is anticipated that future trends will see an increase in formally recorded complaints.

## **8. Learning from Complaints**

- 8.1 When an individual complaint is investigated and responded to, the responding manager or team-leader is required to complete a Complaint Outcome Report.
- 8.2 This report asks for details about the response and the decision to uphold the complaint or otherwise. Where there is learning as a result of the complaint this is outlined on the report and details of changes to policies, processes, or information is described.
- 8.3 A new procedure was implemented in April 2024 to record and monitor lessons learned in a more structured way and as such, the next year's report covering the period April 2024 – March 2025 will have a comprehensive update.
- 8.4 Some examples of learning from complaints over the April 2023 – March 2024 period are listed here:
  1. A complaint from a person applying to go on the Housing register identified that the information set out for applicants on the Homefinder web page was not sufficiently explicit about what the applicant needed to complete and what they were required to provide in terms of evidence. As a result, the contents of the website were reviewed and the wording amended to make it much clearer to applicants about what they need to do and what the next steps are.
  2. A complaint about a billing error meant that the call recording was reviewed, and it was identified that the team member was misinterpreting the procedures. The resident's account was corrected, and the learning led to refresher training for the individual.
  3. A complaint about the inaccessibility of the kennels used for stray animals led to a review of the payment process which means that people can now collect their pets at weekends.

## **9. Compliments**

- 9.1 Despite the current challenges and pressures, the council continues to receive regular compliments from the public. These tend to acknowledge the professionalism of staff and occur across all service areas. Residents often take the time to appreciate the care and consideration demonstrated by our staff.

Some examples of positive feedback are as follows:

Council Tax - "I would like to thank you for taking the time to send such a kind reply - and above all for taking into account the human dimension into the whole situation. This is appreciated beyond words - and it means a lot"

Parking Services - "I just wanted to say how lovely and helpful your staff member always is, in any dealings that I have responses are always very prompt and she is very helpful if I am seeking help, she is a credit to your team".

Benefits - I would like to express my thanks to the excellent benefits team. I do not think, in this day and age, enough attention is paid to those that provide an excellent service and in this case, I'm pleased to say that I've had nothing but a first class and speedy service from yourselves over the past few weeks following the recent reduction in my state pension entitlement. Both on the phone and by email, you have all provided me with a quick and courteous service, and this is very much appreciated.

Housing Repairs Service - "The workers did a very good job, they were very polite, they were on time, they were very helpful and put things back where they found them and cleaned up after themselves".

Customer Service – "I would like to compliment Lincoln Council for their excellent customer service and systems. On a few occasions I have needed to contact the council about Council Tax and each time the people who work in customer service, are professional, helpful and well informed. The system of speaking to someone directly is really useful when compared to my local council in Sussex. Please pass on my feedback"

Even where we make a mistake, customers appreciate it when we take prompt action to redress the issue. A member of the public was charged twice for their car park charge – money was refunded. Customer feedback was "Thank you so much for both a positive, and very quick resolution to this issue. I am mightily impressed"

## **10. Organisational Impacts**

Strategic Priority: High Performing Services

Finance – There are no direct financial implications arising from this report.

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

Equality and diversity –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.

To ensure that we deliver our Equality Duty we accept complaints from customers via all communication channels. Customers can complain in person, verbally, in writing or via our online complaints template. Customers who need assistance to log a complaint can get help from Customer Services to ensure that they are heard. All complaints received are dealt with equally regardless of how they are made.

Community engagement and communications. We welcome feedback from customers and clearly promote the Complaints procedure on our website and in our public buildings.

## **11 Recommendations**

- 11.1 Members to consider and comment on the complaints report for 2023-2024

**Is this a key decision?**

No

**Do the exempt information categories apply?**

No

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

No

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

None

**List of Background Papers:**

None

**Lead Officer:**

Joanne Crookes  
Customer Services Manager  
[Joanne.crookes@lincoln.gov.uk](mailto:Joanne.crookes@lincoln.gov.uk)

**SUBJECT: EXTERNAL AUDIT – ANNUAL AUDITOR’S REPORT 2023/24**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

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

## **1. Purpose of Report**

- 1.1 To receive and comment on the Annual Auditor’s Report for 2023/24, attached as Appendix A.

## **2. Executive Summary**

- 2.1 The Annual Auditor’s Report summarises the outcome of the 2023/24 external audit of City of Lincoln Council.
- 2.2 Although the report is addressed to the Council, it is also designed to be read by a wider audience, including members of the public and other external stakeholders. A copy will therefore be placed on the Council’s website.
- 2.3 The annual audit itself covers the Statement of Accounts for 2023/24 and Value for Money (VFM) arrangements.
- 2.4 The report will be presented at the meeting by the Council’s External Auditors for 2023/24, KPMG.

## **3. Strategic Priorities**

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

## **4. Organisational Impacts**

- 4.1 Finance (including whole life costs where applicable)

The planned fee in respect of work under the Code of Audit Practice for 2023/24 was £139,722. In addition, KPMG have applied a fee variation to cover additional work required from the introduction of new auditing standards (ISA 315 risk of material misstatements). This additional fee has been agreed at £10214, bringing the total fee for 2023/24 to £149,936.

- 4.2 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.

#### 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 specific equality, diversity and human rights issues arising as result of this report.

#### 5. Risk Implications

- 5.1 There are no specific risk implications arising as a direct result of this report. The Annual Auditor's Report sets out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements, the work that was carried out on those risks and their conclusions.

#### 6. Recommendation

- 6.1 The Audit Committee are asked to note and comment on the attached Annual Auditor's Report.

**Is this a key decision?** No

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

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

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

**List of Background Papers:** None

**Lead Officer:** Jaclyn Gibson, Chief Finance Officer  
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# Auditor's Annual Report for City of Lincoln Council

Year-ended 31 March 2024

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January 2024

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### Key Contacts

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This report is addressed to City of Lincoln Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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01

# Executive Summary

# Executive Summary

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## Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of City of Lincoln Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the narrative report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of the Council.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued an unqualified opinion on the Council accounts on <b>TBC</b> . This means that we believe the accounts give a true and fair view of the financial performance and position of the Council.  We have provided further details of the key risks we identified and our response on page 8.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.  Our opinion is that the Council have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.
Other powers	See overleaf.

# Executive Summary

**DRAFT**

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts this year.**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

**We have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

# 02

## Audit of the financial statements

# Audit of the financial statements

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## KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council financial statements in **TBC**.

The full audit report is included in the Council's Narrative Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

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The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<b>Valuation of Land and Buildings</b>  The council engages an internal valuer to perform a valuation of land and buildings, and an external valuer to perform a valuation of council dwellings. There is a risk that these valuations are not reflective of the fair value of the property.	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to the capacity of the internal valuer.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<b>Valuation of investment property</b>  The council engages an internal valuer to perform a valuation of investment property. There is a risk that these valuations are not reflective of the fair value of the property.	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We identified one misstatement where the yields used by the valuer in relation to a property were optimistic and outside KPMG expectation. We identified a misstatement, being the difference in the value using KPMG expected yields, with the value expected to be overstated by £300k. However we did not consider this material and management have not adjusted.</p> <p>We considered the estimate to be optimistic based on the procedures performed due to the optimistic yields used in the valuation, however the resulting difference does not lead to a material error.</p> <p>We raised a recommendation relating to the capacity of the internal valuer.</p>

# Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We evaluated the design and implementation of controls over journal entries.</p> <p>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates indicate a possible bias.</p> <p>We analysed all journals through the year and focused our testing on those with a higher risk.</p>	<p>We did not identify any instances of management override of controls.</p> <p>We did not identify any instances of management bias.</p> <p>We raised a recommendation relating to the ability of journal postings to be made without segregation of duties between poster and approver.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Valuation of post retirement benefit obligations</b></p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p>	<p>We have evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations.</p> <p>We have performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets.</p> <p>We have agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation.</p> <p>We have evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.</p> <p>We have challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</p> <p>We have confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We evaluated the competency and objectivity of the Scheme actuaries, to confirm their qualifications and the basis for their calculations with no issues noted.</p> <p>We agreed the data provided by the audited entity to the scheme administrator for use within the calculation of the scheme valuation with no issues noted.</p> <p>The overall assumptions are considered to be appropriate and balanced in relation KPMG's central rates but within KPMG's normally acceptable range overall.</p>



**03**

# **Value for Money**



# Value for Money

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## Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	16	19
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔



# Value for Money

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## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

### Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

## Local context

- The Council's General Fund achieved a surplus at year end (£600k), with reserves of £11.5m.
- The Housing Revenue Account also achieved a surplus at year end (£1m), with reserves of £7.8m.
- As part of its Capital Plan the Council spent £26.4m against a budget of £31.5m, resulting in an underspend of £5.1m. This was largely driven by delayed projects.
- There were no adverse inspectorate findings in the year.
- We have not identified any issues arising from quality of services provided by the Council.

# Financial Sustainability

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## How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Budget setting

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 team 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

Budget monitoring is performed quarterly, with reports provided to Directorate Management Teams, Corporate Management Teams, Executive, Performance Scrutiny Committee 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.

# Financial Sustainability

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## Outturn

For 2023-24, the Council set a balanced budget, with a small planned deficit of £191k in General Fund to be drawn down from reserves. At year end, the Council performed slightly better than expected and only required a drawdown of £175k. 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 achieved closing un-earmarked General Fund reserves of £2.2m, which is above the Council's stated prudent minimum range of c.£1.5-£2m.

## Savings

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 and Executive 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 year-end, the Council had achieved savings totalling £248k for the General Fund, resulting in an over-achievement of £62k in year.

## Links to risk management

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 Audit Committee has overall responsibility for oversight of the register and the Performance Scrutiny receives the SRR on a quarterly basis as part of the monitoring process. Various risks relating to financial sustainability have been identified by the Council including risks related to future financial deficits and continued inflationary pressures.

## 2024/25 and the Medium Term Financial Strategy (MTFS)

The Council's net General Fund Revenue Budget for 2024/25 was set at £15.4m including a planned contribution from balances of £146.8k resulting in an estimated level of reserves at the year-end of £2.4m, which is above the Council's stated prudent minimum range of c.£1.5-£2m. As at Q2 of 2024/25, the General Fund was projecting a forecast underspend of £37k.

# Financial Sustainability

2024/25 and the Medium Term Financial Strategy (MTFS) continued

Council's Housing Revenue Account (HRA) for 24/25 net revenue budget was set with a planned contribution from balances of £101k, resulting in estimated reserves at year-end of £1m, after allowing for the 2023/24 outturn position. The HRA is currently projecting a forecast underspend of £519k which would result in HRA balances of £1.5m as at the end of 2024/25. This position maintains balances above the prudent minimum of c.£1m.

As at November 2024, the Council is in the process of refreshing its MTFS and this will include financial projections for the five-year financial planning period through to 2029/30. Current forecasts show balances will still be maintained over the period of the MTFS and there are planned uses of balances in the General Fund of £0.116m in 2025/26 and this is dependent on savings of £250k being achieved.

## Reserves

Reserve	2023/24 (£m)	2022/23 (£m)
General Fund	2.2	2.4
General Fund Earmarked	9.3	8.5
<b>Total General Fund Balance</b>	<b>11.5</b>	<b>10.9</b>
HRA	1.1	1.1
HRA Earmarked	6.7	5.6
<b>Total HRA Balances</b>	<b>7.8</b>	<b>6.7</b>

The Council's usable reserves of £51.3m include General Fund reserves of £11.5m and HRA reserves of £7.8m, these rose in 2023/24. There is relatively small planned usage of General Fund and HRA reserves in both 2024/25 and 2025/26 with the Council maintaining the minimum level required. Clearly increases in financial pressures and non-delivery of savings will impact on financial sustainability and present a risk to the Council, however to date we are satisfied with the Council's arrangements to maintain financial sustainability.

## Conclusion

Based on the procedures performed, we have not identified any significant weaknesses in relation to the Council's arrangements to maintain financial sustainability.

**DRAFT**

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit), excluding HRA	£191k	£61k
Actual surplus/(deficit), excluding HRA	£175k	£218k
Planned HRA surplus/(deficit)	£59k	£39k
Actual HRA surplus/(deficit)	£53k	£159k
Usable reserves	£51.3m	£48.9m
Gross debt compared to the capital financing requirement	0.72:1 (CFR £149.8m)	0.84:1 (CFR £146.1m)
Year-end borrowings	£107.7m	£122m
Year-end cash position	£130k	£509k

*HRA: Housing Revenue Account, a ring-fenced fund relating to social housing*

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*

## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## *Risk management*

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 Q4 monitoring there were 14 risks contained within the strategic risk register; 6 were rated high (almost certain/critical) and 7 were rated medium (probable/major) and 1 was rated low (Hardly ever/minor). 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.

## *Counter Fraud arrangements*

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 of the policy and strategy was completed in year and this now up to date. 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.



## *Risk related to finances*

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.

Financial performance is monitored against budget regularly as outlined on page 19. As part of reporting to Performance and Scrutiny Committee, variances against budget are clearly identified and explained. Any mitigating actions are also identified. During 23/24 the Council has been able to manage increases in costs with increased income and continues to report an underspend for the year.

## *Compliance with laws and regulations*

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 housing stock at year-end totalled 7,784 properties. There was 5 maladministration findings from the Housing Ombudsman in year, none of which were severe, with total reported compensation of £1850 paid out. There were 2 complaints upheld against the Council in year with the Local Government Ombudsman, none of which were significant, with total reported compensation £300.

## *Codes of conduct*

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.



# Governance

## Decision making

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.

The key decision made by the Council in year is the approval of the Western Growth Corridor and this has been included in our risk assessment. The project involves plans for a major housing development inside the city in partnership with Lindum Western Growth Community Ltd, with whom there is a formal Delivery Agreement outlining key milestones and targets. 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 on page 15, which are reviewed and monitored by the joint and individual project Boards. The Council have also recognised that through the lifecycle of the partnership, arrangements will be reviewed to ensure their remain appropriate.

## Conclusion

Based on the procedures performed, we have not identified a weakness associated with governance arrangements.

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	None identified	None identified
Head of Internal Audit Opinion	Overall Performing well	Overall Performing well
Local Government Ombudsman findings	No significant findings	No significant findings
Housing Ombudsman findings	No significant findings	N/A





# Improving economy, efficiency and effectiveness

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## How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

## Performance information and performance management

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 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. Monitoring reports for the end of Q4 showed of the 76 performance measures 52 were either acceptable of meeting/exceeding the target, 16 were below and 18 were volumetric. There were action plans in place for all metrics below target.

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.

## Benchmarking

The Council routinely undertakes benchmarking of service area costs. One off exercises of benchmarking are undertaken as and when required, for example a recent benchmarking exercise on fees and charges has been undertaken. 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.

# Improving economy, efficiency and effectiveness

DRAFT

## *Partnership working*

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. One of the Council's key partnership is with Lindum Western Growth Community Ltd for the Western Growth Corridor and this is managed through a Delivery Agreement and joint Board, as detailed on page 16. We have also seen evidence of how the Council worked with other partners on issues which could impact on the City, including emerging issues.

## **Conclusion**

Based on the procedures performed, we have not identified a significant weakness associated with arrangements around improving economy, efficiency and effectiveness.



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**SUBJECT: EXTERNAL AUDIT: AUDIT COMPLETION REPORT 2023/24**

**DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK**

**REPORT AUTHOR: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER**

## **1. Purpose of Report**

- 1.1 This report summarises the findings from the 2023/24 audit, which is substantially complete. It identifies the key issues that Members should consider before an opinion, conclusion and certificate are issued.
- 2.1 This report includes only matters of governance interest that have come to the external auditor's attention in performing the audit. It is not designed to identify all matters that might be relevant to the Authority.
- 2.2 The report will be presented at the meeting by the Council's External Auditors, KPMG.

## **2. Executive Summary**

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

## **3. Opinion on the financial statements**

- 3.1 At the time of preparing this report, KPMG's work on the financial statements was substantially complete. Subject to the satisfactory conclusion of any outstanding work, KPMG anticipate issuing an unqualified audit opinion (a report to those charged with governance (IAS 260) is attached at Appendix A).
- 3.2 As a result of the work undertaken by KPMG on the external audit there are four misstatements above the threshold level of £100k, of these two misstatements have been amended in the final version of the Statement of Accounts. The unadjusted misstatements relate to a valuation of a Council property that was deemed "optimistic" and the treatment of a historic transaction agreed by the Council's previous auditors. Further details are provided in page 27-28 of the attached report.
- 3.3 During the completion of the external audit KPMG have considered the internal controls in place relevant to the preparation of the financial statements, as a result of this work a number of recommendations were made around internal controls that management have made comment on. Further details are provided in page 29-31 of the attached report.

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

#### **4. Value for Money conclusion.**

- 4.1 KPMG are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. At the time of preparing this report, no significant weaknesses in arrangements, that require a recommendation to be made, have been identified.

#### **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.

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.

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

In accordance with the Accounts and Audit (Amendment) Regulations 2024 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 28 February 2025. Where an audit of accounts has not been concluded by the specified date, the Council must publish as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the Statement of Accounts and its reasons for this. City of Lincoln Council are not in a position where this is required for 2023/24 and will meet the new backstop date.

##### **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 risk implications arising as a result of this report.

## **8. Recommendation**

8.1 Audit Committee are asked to:

- a) Consider the matters raised in the report before recommending the financial statements for referral to the Executive and subsequent approval by Full Council (as per separate report on this Agenda);
- b) Approve the draft letter of representation, attached at Appendix B (To Follow), on behalf of the Council before KPMG issue an opinion, conclusion and certificate and delegate any further amendments to the letter, should any additional issues be raised by KPMG, to the Chief Finance Officer who will report any changes to the Chair of the Audit Committee.

**Is this a key decision?**

No

**Do the exempt information categories apply?**

No

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

No

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

Two

**List of Background Papers:**

Draft Statement of Accounts 2023//24 – Audit Committee 15 July 2024.

**Lead Officer:**

Laura Shipley, Financial Services Manager  
Email: [laura.shipley@lincoln.gov.uk](mailto:laura.shipley@lincoln.gov.uk)

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# Year End Report to the Audit Committee

City of Lincoln Council

Year end report for the year ended 31 March 2024

—

November 2024

# Important notice

**This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.**

The content of this report is based solely on the procedures necessary for our audit.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of City of Lincoln Council (the 'Council') prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,

Rashpal Khangura  
Director KPMG LLP

November 2024

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audit is substantively complete. We will provide an oral update on the status. Page 3 'Our Audit Findings' outlines the outstanding matters in relation to the audit.

Our conclusions will be discussed with you before our audit report is signed.

## Restrictions on distribution

The report is provided for the information of the Audit and Governance Committee of the Council 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.

# Our audit findings

Significant audit risks		Page 5 - 15
Significant audit risks	Our findings	
Management override of controls	The results of our testing were satisfactory and we have not identified any instances of management override of control.	
Valuation of land and buildings	We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of land and buildings is based. We have concluded that the assumptions used in the valuation of land and buildings are balanced.	
Valuation of investment property	We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of land and buildings is based. We identified one property where the assumptions used were outside of the acceptable range and this resulted in an unadjusted misstatement – see slide 7 for further detail.	
Valuation of post retirement benefit obligations	No issues identified from the testing over the Liability. KPMG actuaries have assessed the assumptions used and concluded these are within expected range.	
Key accounting estimates		Page 16
Valuation of land and building	We assessed as reasonable the assumptions underpinning the valuation of land and buildings.	
Valuation of Investment properties	We assessed as reasonable the assumptions underpinning the valuation of investment properties. We identified one property where the assumptions used were outside of the acceptable range and this resulted in an unadjusted misstatement – see slide 7 for further detail.	
Valuation of Pension Assets	We involved KPMG actuarial specialists in reviewing the actuarial assumptions. Assumptions were found to be optimistic but within KPMG’s acceptable range	

Uncorrected Audit Misstatements		Page 27
Understatement/ (overstatement)	£m	
Revenues	0.77	
Surplus for the year	0.77	
Total assets	(0.77)	
Total taxpayers' equity	(0.77)	

Misstatements in respect of Disclosures		Page 27
Misstatement in respect of Disclosures	Our findings	
Cashflow Statement	We identified several lines in the cashflow statement where items had been misclassified. These have now been corrected.	
Remuneration Report	We identified a number of disclosures, including senior staff banding, that were incorrect. These have now been corrected.	

Number of Control deficiencies		Page 29-30
Significant control deficiencies	0	
Other control deficiencies	6	
Prior year control deficiencies remediated	0	

## Outstanding matters

Our audit is substantially complete except for the following outstanding matters

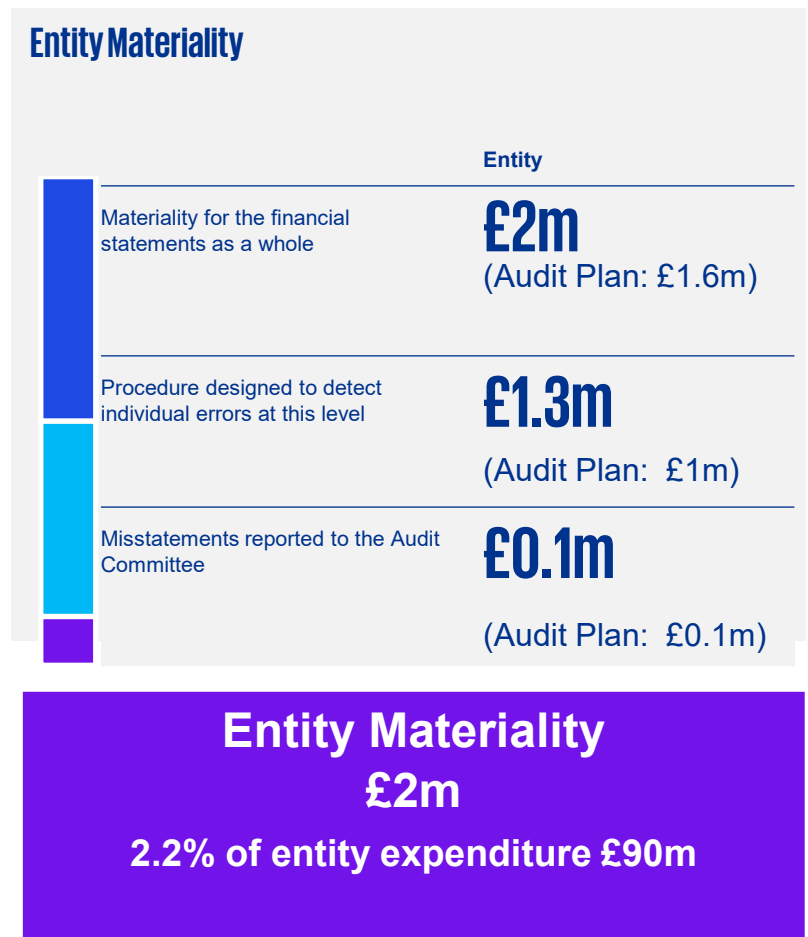
- Finalisation processes
- Management representation letter
- Draft annual report to KPMG
- Finalise audit report and sign

# Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you, other than as follows:

## Materiality

Materiality has been revised because the benchmark, expenditure for the 23/24 financial year, has increased significantly from £72.6m at the time of the audit plan to £90m.



# Significant risks and Other audit risks

**We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.**

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which City of Lincoln Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

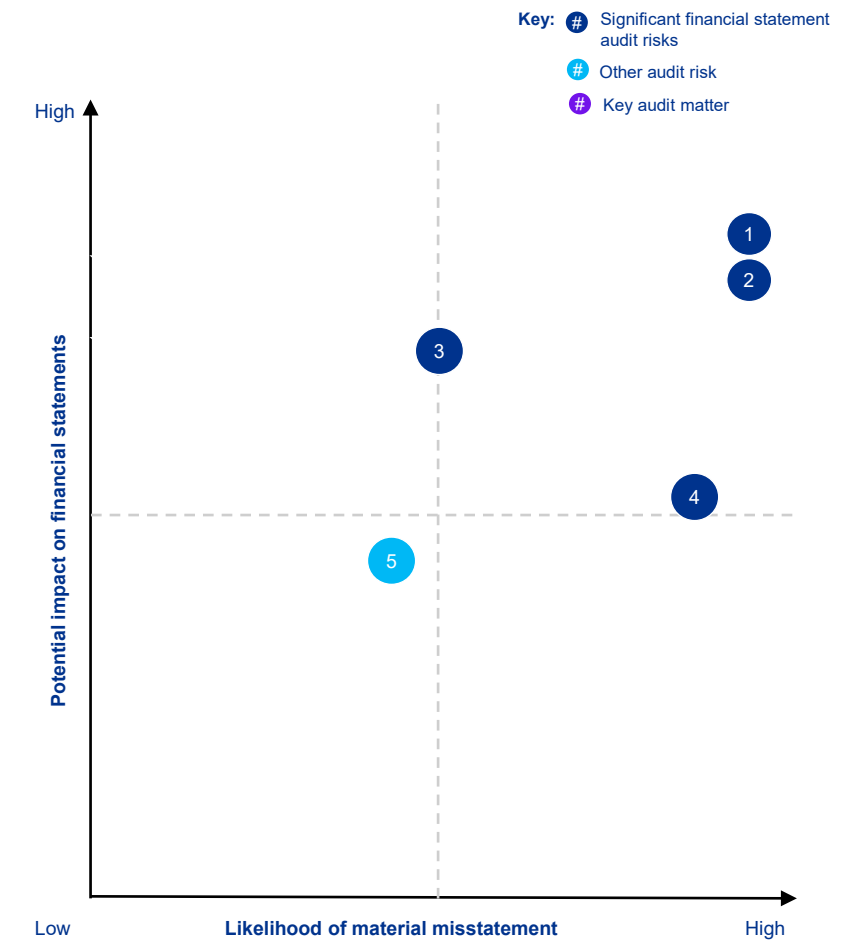
See the following slides for the cross-referenced risks identified on this slide.

## Significant risks

- 1. Valuation of land and buildings
- 2. Valuation of investment property
- 3. Management override of controls
- 4. Valuation of post retirement benefit obligations

## Other audit risks

- 5. Revenue expenditure is inappropriately recognised as capital expenditure



# Audit risks and our audit approach

1

## Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, with land and buildings outside the full revaluation subject to a desktop review. The Authority engages the District Valuer for all Housing property and employs an in-house valuer for all other land and buildings.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Council's valuer and the District Valuer.



### Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists to review the valuation report and a sample of valuations prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

## 1 Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, with land and buildings outside the full revaluation subject to a desktop review. The Authority engages the District Valuer for all Housing property and employs an in-house valuer for all other land and buildings.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Council's valuer and the District Valuer.

### Our response

We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of land and buildings is based. We have concluded that the assumptions used in the valuation of land and buildings are balanced.

We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of Council dwellings is based. We have concluded that the assumptions used in the valuation of Council dwellings are balanced.

We did not identify any issues in relation to accounting treatment of the valuation movements.

We did not identify any issues in relation to the related disclosures.

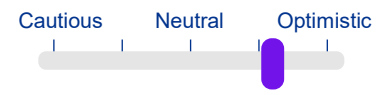
Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an expert (internally for Land and Buildings and externally for Social Housing) to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

From our work over the valuation of Land and Buildings, we noted that there is a reliance on the experience and knowledge of the Council's internal valuer in developing the key assumptions and this is not always well documented. We recommend that the Council reviews the valuer's capacity and ability to access the most recent market data to support the valuation of land and buildings.

# Audit risks and our audit approach (cont.)

## 2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



### ! Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2023, the value of investment properties was £36.6m.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

### ⚙️ Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of the valuer used in developing the valuation of the Council's investment property at 31 March 2024;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists (as required) to review the valuation report prepared by the Council's valuer to confirm the appropriateness of the methodology utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.



# Audit risks and our audit approach (cont.)

2

## Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value



### Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2023, the value of investment properties was £36.6m.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

### Our findings

We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of investment properties is based. We have concluded that the assumptions used in the valuation of land and buildings are balanced with the exception of one property. Our valuation specialist identified that the yields used by the valuer in relation to Deacon Road Retail Park were optimistic and outside KPMG expectation. They identified a misstatement, being the difference in the value using KPMG expected yields, with the value expected to be overstated by £300k. This is not material and will remain unadjusted.

We did not identify any issues in relation to accounting treatment of the valuation movements.

We did not identify any issues in relation to the related disclosures.

Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an expert (internally for Land and Buildings) to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

From our work over the valuation of Land and Buildings, we noted that there is a reliance on the experience and knowledge of the Council’s internal valuer in developing the key assumptions and this is not always well documented. We recommend that the Council reviews the valuer’s capacity and ability to access the most recent market data to support the valuation of land and buildings.


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# Audit risks and our audit approach (cont.)

3


Management override of controls<sup>(a)</sup>

Fraud risk related to unpredictable way management override of controls may occur

 **Significant audit risk**

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

 **Our response**

We have performed the following procedures designed to specifically address the significant risk associated with management override of controls:

- We have assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- We have evaluated the selection and application of accounting policies.
- In line with our methodology, we have evaluated the design and implementation of controls over journal entries and post closing adjustments.
- We have assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We have assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the entity's normal course of business, or are otherwise unusual.
- We have analysed all journals through the year and focus our testing on those with a higher risk.

# Audit risks and our audit approach (cont.)

3

## Management override of controls<sup>(a)</sup> (cont.)

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



### Our findings

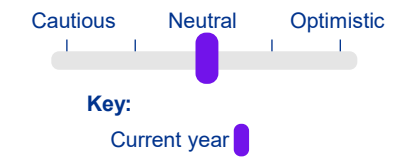
- We have not identified any issues in relation to the Council's accounting policies, accounting estimates and financial statement disclosures.
- We identified 18 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We evaluated accounting estimates and did not identify any indicators of management bias.
- Our procedures did not identify any significant unusual transactions.
- We identified a number of control deficiencies in relation to journal posting, these are discussed further on page 28:
  - Those users who have the ability to authorise journal entries are able to upload and authorise their own journals.
  - Users are able to correct journal entries and maintain segregation of duties
  - The financial services team have access to Agresso On-Line and are able to post directly into the ledger and bypass segregation of duties.

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach (cont.)

## 4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### ! Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

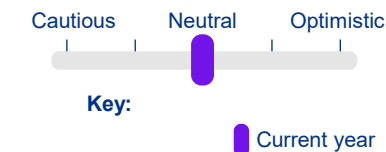
### ⚙️ Our response

- We have performed the following procedures :
- We have understood the processes the Council has in place to set the assumptions used in the valuation;
  - We have evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
  - We have performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
  - We have agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
  - We have evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
  - We have challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
  - We have confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;
  - We have considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
  - We have assessed the level of surplus that should be recognised by the entity.

# Audit risks and our audit approach (cont.)

## 4 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



### ! Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council’s pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

### Our findings

- We evaluated the competency and objectivity of the Scheme actuaries, to confirm their qualifications and the basis for their calculations with no issues noted.
- We agreed the data provided by the audited entity to the scheme administrator for use within the calculation of the scheme valuation with no issues noted.
- Given that the selection of actuarial assumptions is inherently subjective, we engaged KPMG Actuarial specialists to review the actuarial assumptions and compare them to industry medians. The overall assumptions are considered to be appropriate and optimistic in relation KPMG’s central rates but within KPMG’s normally acceptable range overall.
- Auditing standards require auditors to identify a management control where there is a significant audit risk. In the case of the LGPS pension provisions we have not been able to identify a suitable and formal management control. We recommend that should management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the pension provisions held by the Council.

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach (cont.)

5

## Revenue expenditure is inappropriately recognised as capital expenditure

Revenue expenditure is inappropriately recognised as capital expenditure

!

### Other audit risk

Given the size of the Council's capital programme (£31.4M at Q3) we have identified an Other Audit Risk regarding the recognition of revenue expenditure being inappropriately recognised as capital expenditure.

⚙️

### Our response

- We have performed the following procedures in order to respond to the other audit risk risk identified:
- We evaluated the design and implementation of controls for classifying expenditure as capital;
  - We reviewed the capital programme for schemes which indicate they are of a revenue nature; and
  - We tested capital expenditure incurred by the Council to ensure it is correctly capitalised.

# Audit risks and our audit approach (cont.)

5

## Revenue expenditure is inappropriately recognised as capital expenditure

Revenue expenditure is inappropriately recognised as capital expenditure

!

### Other audit risk

Given the size of the Council's capital programme (£31.4M at Q3) we have identified an Other Audit Risk regarding the recognition of revenue expenditure being inappropriately recognised as capital expenditure.

📄

### Our findings

- From our work over the REFCUS and Capital expenditure we have not identified any issues of misclassification.

Note: (a) Significant risk that professional standards require us to assess in all cases.

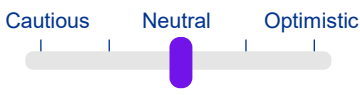
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# Key accounting estimates and management judgements – Overview



## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Valuation of Land and Buildings	<div><div>CautiousNeutralOptimistic</div><div></div></div>	83.7m	6.2m	<div><div>Needs improvementNeutralBest practice</div><div></div></div>	No issues identified from our testing, the assumptions used by the Council's valuer were within KPMG acceptable range.
Valuation of Council Dwellings	<div><div>CautiousNeutralOptimistic</div><div></div></div>	331.8m	9.2m	<div><div>Needs improvementNeutralBest practice</div><div></div></div>	No issues identified from our testing, the assumptions used by the Council's valuer were within KPMG acceptable range.
Valuation of Investment Property	<div><div>CautiousNeutralOptimistic</div><div></div></div>	38.3m	1.7m	<div><div>Needs improvementNeutralBest practice</div><div></div></div>	No issues identified from our testing with the exception of one property where the assumptions used by the Council's valuer were optimistic and outside KPMG acceptable range.
LGPS Net Liability	<div><div>CautiousNeutralOptimistic</div><div></div></div>	(13m)	(5.2m)	<div><div>Needs improvementNeutralBest practice</div><div></div></div>	No issues identified from our testing, the assumptions used by the actuary were within KPMG acceptable range.

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# Other matters

## Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code'). Based on the work performed:

We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.

- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

## Annual Governance Statement

We have reviewed the Council's 2023/24 Annual Governance Statement and confirmed that:

It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA; and

- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

## Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for City of Lincoln Council, the threshold at which detailed testing is required has not been exceeded.

We will submit an updated assurance statement on completion of the audit and following review the final financial statements.

## Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

## Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was £140k plus VAT (£69k in 2022/23).

We have agreed with the Council and are awaiting approval through the PSAA Fee Variation process a variation of £10k for work associated with the new ISA315 revised Auditing Standard.. Due to further considerations during the audit, requiring the use of specialists to support technical queries, we need to discuss a further fee variation with the Council, which we are in the process of finalizing

We have also completed non-audit work at the Council during the year and have included on page 25 confirmation of safeguards that have been put in place to preserve our independence.

**01**

# **Value for money**

# Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

## Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have not identified any risks of a significant weakness in the Council arrangements to secure value for money.

We have no recommendations to report.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail will be set out in our Auditor’s Annual Report.

# 03

# City of Lincoln Council

# Appendices

Year ended 31 March 2024

—

November 2024

# Appendices

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# Required communications

Type	Response
<b>Our draft management representation letter</b>	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
<b>Adjusted audit differences</b>	<input checked="" type="checkbox"/> OK There were two adjusted audit differences with a £0.net impact. See page 27.
<b>Unadjusted audit differences</b>	<input checked="" type="checkbox"/> OK The aggregated surplus impact of unadjusted audit differences would be £778k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 26.
<b>Related parties</b>	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit Committee</b>	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing in September 2024.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
<b>Make a referral to the regulator</b>	<input checked="" type="checkbox"/> OK We have not identified any such matters.
<b>Issue a report in the public interest</b>	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
<b>Significant difficulties</b>	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	<input checked="" type="checkbox"/> OK None
<b>Disagreements with management or scope limitations</b>	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	<input checked="" type="checkbox"/> OK No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed or subject to correspondence with management</b>	<input checked="" type="checkbox"/> OK No significant matters arising.
<b>Certify the audit as complete</b>	<input checked="" type="checkbox"/> X We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above We will be unable to issue our certificate as the prior year certificate has not been issued by the predecessor auditor.
<b>Provide a statement to the NAO on your consolidation schedule</b>	<input checked="" type="checkbox"/> OK We will issue our report to the National Audit Office following the signing of the annual report and accounts.

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	140	69 <sup>(a)</sup>
ISA315r	10	-
<b>TOTAL</b>	<b>150</b>	<b>69</b>

Due to further considerations during the audit, requiring the use of specialists to support technical queries, we need to discuss a further fee variation with the Council, which we are in the process of finalizing.

Note: (a) Fee charged by Mazars LLP – your predecessor auditor.

## Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud).
- Additional fees will be subject to the fees variation process as outlined by the PSAA.

# Confirmation of Independence

**We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.**

## To the Audit and Risk Committee members

### Assessment of our objectivity and independence as auditor of City of Lincoln Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.



# Confirmation of Independence (cont.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £m	Value of Services Committed but not yet delivered £m
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£0	£44,100
2	Pooling of Local Authority Housing Receipts audit	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£0	£12,000

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

## Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.4: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	140
Other Assurance Services	56
<b>Total Fees</b>	<b>196</b>

## Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Rashpal Khangura  
KPMG LLP

# Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £100K are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Other Debtors Cr Other Service Expenses	£478	(£478)	The Council previously paid a sum to a Property Development company in order to release themselves from an income sharing agreement for a car park, whereby the development company, who had constructed a cinema, received a proportion of the car park revenue. The Council incorrectly treated this as an amortised asset (Debtor) rather than expensing this as a penalty charge for terminating the contract.
2	Dr Fair Value gain on Investment Property Cr Investment Property	£300	(£300)	We identified that the yields used by the valuer in relation to Deacon Road Retail Park were optimistic and outside KPMG expectation. Using the KPMG expected values, we calculated this asset value was overstated.
Total		£778	(£778)	

# Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Capital Grants Unapplied Cr Deferred Income		£1,433 (£1,433)	This relates to an accumulated underspend of DFG grants over a number of years. The grant conditions state that unspent grant monies can be clawed back and therefore this balance should be treated as deferred income.
2	Dr Impairment Reserve Cr Revaluation Reserve	- -	£535 (£535)	Management identified a number of assets in the fixed asset register which had both a historic loss and revaluation gain. IAS 16 states that an upwards gain should first reverse any downward loss, and vice-versa for where there is a historic gain followed by a loss. This adjustment was therefore posted as part of the revaluation exercise to net off these conflicting balances.
<b>Total</b>		<b>£0</b>	<b>£0</b>	

We also identified some presentational issues which have been updated by management:

Remuneration report:

- Senior staff banding disclosure – two missing individuals were added and remuneration totals for several members were revised resulting in banding changes.
- Exit Packages – disclosure to be enhanced to explain timing of agreement and payment which crossed year-end.

Cashflow statement:

- We identified a misclassification of loan repayments between lines in the Cashflows for Investing Activities that was corrected.

# Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Related Party Transactions are not authorised or checked</p> <p>Through completion of our Related Parties walkthrough we were made aware of the Council's arrangements regarding Related Parties. Affected members are asked to freely offer up any transactions that they are aware of. The Declaration of Interest (DOI) forms which are circulated do not ask for a list of related parties to the individual but just for details of any transactions. The finance team do perform a ledger search against customers and suppliers but only where these are considered material to the Council.</p> <p>There is a risk that related parties are not identified and ultimately the disclosure is not complete or accurate.</p> <p>We recommend that the DOI form references related parties rather than individual transactions and that management review the ledger to identify all transactions before assessing materiality to ensure completeness.</p>	<p>Management will review the Declaration of Interest form and process to ensure its fit for purpose ahead of the 2024/25 Statement of Account process.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>
2	2	<p>Journals posting and segregation of duties (SOD)</p> <p>From our walkthroughs of the journals authorisation process we identified a number of ways in which segregation of duties can be bypassed by journal posters; when correcting existing journals, when using Agresso on-line where no SOD is required, or key finance team members who have the ability to post and approve.</p> <p>There is a risk that journal postings are incorrect or inappropriate where review and authorisation is not in place.</p> <p>We recommend management explore ways to implement checks to ensure journals posted and approved by the same individual are reviewed.</p>	<p>Management are satisfied that journal entry is limited to only appropriately qualified and/or experienced officers largely mitigating the risk of incorrect journal postings.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>

# Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	3	<p>Preparation of Staff Cost disclosures</p> <p>We identified a number of errors within the accounts disclosures relating to staff costs, including where individuals had been omitted or total remuneration disclosed was not correct.</p> <p>We recommend that management perform a review of the disclosures in the draft accounts before this is shared with the audit team.</p>	<p>Management will ensure a full review of disclosures within the draft accounts are built into the year end timetable and completed ahead of audit commencement moving forward.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>
4	2	<p>Review of Bank reconciliations</p> <p>From our walkthrough of the Treasury process as in February 2024 we identified that the December bank reconciliation had still been performed and reviewed.</p> <p>There is a risk that issues are not quickly identified and resolved, leaving the ledger balance inaccurate.</p> <p>We recommend monthly bank reconciliations are performed and reviewed in a timely manner.</p>	<p>Management will ensure monthly bank reconciliations are performed and reviewed prior to the end of the next period i.e. within the following month.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>
5	3	<p>Housing Repairs Service (HRS) – authorisation of timesheets</p> <p>As part of our testing of the Housing Revenue Account some of the evidence provided related to internal timesheets for the Housing Repairs Service. Of these, a number were not signed/authorised, some were not dated (hand in date) and then subsequently signed.</p> <p>There is a risk that timesheets are inaccurate leading to inaccurate costs being recharged in the Cost of Services disclosure.</p> <p>We recommend all HRS timesheets are completed and signed in a timely manner.</p>	<p>Management will sure timesheets are checked and approved in a timely manner with no timesheet being submitted to payroll until authorised by a team leader.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>
6	2	<p>Fixed Asset Register</p> <p>From our work over property, plant and equipment we identified that the fixed asset register is held on a spreadsheet. The spreadsheet is large with a number of formula driven columns and requires a significant level of manual input, particularly in relation to the revaluation of land and buildings.</p> <p>Due to its complexity and the need for manual input, there is an increased risk of error. In year, management identified a misstatement in relation to assets that had both an impairment and a revaluation reserve on the asset register.</p> <p>We recommend that management review the asset register and look to simplify and standardise any manual inputs.</p>	<p>Management believe that whilst system based alternatives are available the spreadsheet currently used, whilst complicated, is fit for purpose. Staff turnover and vacancies over the years had unfortunately led to a lack of understanding around the spreadsheet and an inconsistent treatment of items within it. The Finance Team is now fully established and has started a review of the Fixed Asset Register spreadsheet highlighting issues that were corrected in year. The register will be part of an ongoing review striving for improved practices and efficiencies in a both complicated and material area of the statements.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>

# Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
7	2	<p>Impairment review process</p> <p>We noted from our work over valuation of land and buildings that the Council does not have a formal year-end impairment review process.</p> <p>Whilst there are processes in place for land and buildings there is a potential that indicators in impairment are missed across other assets.</p> <p>We recommend management consider implementing a formal write-out to asset holders to ensure any issues with assets are accurately reflected in impairment review and therefore ensuring all assets on the asset register are held at an appropriate value.</p>	<p>Moving forward a documented review process for all assets will undertaken ensuring all assets are held at an appropriate value.</p> <p>Jaclyn Gibson</p> <p>March 2025</p>



# ISA (UK) 240 Revised: changes embedded in our practices

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## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

## Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 3. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.





# ISA (UK) 315 Revised: changes embedded in our practices

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## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

# KPMG's Audit quality framework

**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.**

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

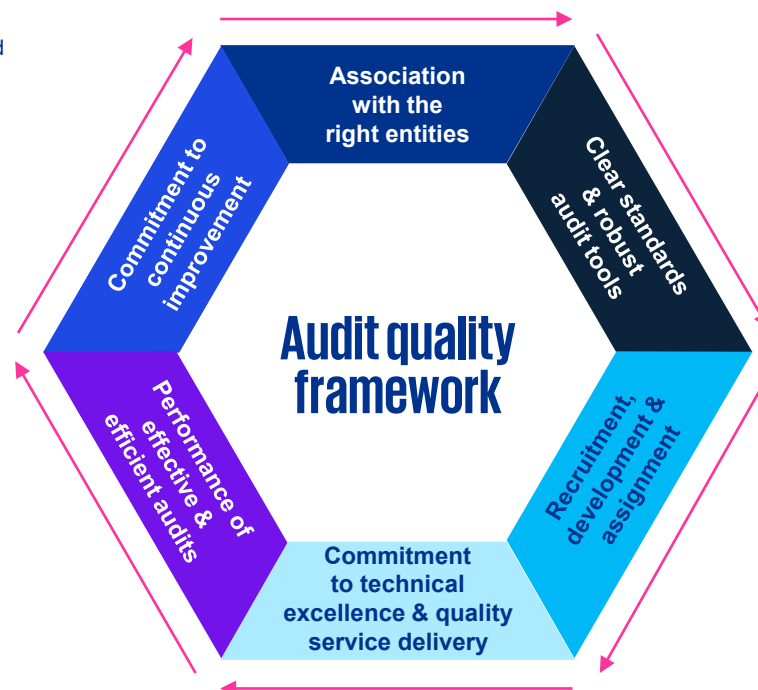
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Rashpal Khangura  
KPMG UK LLP  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

**Jaclyn Gibson**

is dealing with this matter

E-mail : [jaclyn.gibson@lincoln.gov.uk](mailto:jaclyn.gibson@lincoln.gov.uk)

Direct Line: 01522 873258

22<sup>nd</sup> January 2025

Dear Rashpal,

**City of Lincoln Council - audit for year ended 31 March 2024**

This representation letter is provided in connection with your audit of the Authority financial statements of City of Lincoln Council ("the Authority"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Authority as at year end of the Authority's income and expenditure for the year then ended;
- ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Movement in Reserves Statement, Authority Statement of Cash Flows, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at year end and of the Authority's income and expenditure for the year then ended;

- ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### **Information provided**

5. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - members;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

12. The Authority confirms that:
  - a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 Presentation of Financial Statements.
  - b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

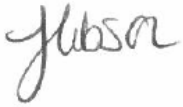
The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and

- approved or unapproved,  
have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Council on 21<sup>st</sup> January 2025.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'J Gibson'.

**Jaclyn Gibson, FCCA**  
Chief Finance Officer (s151)



## **Appendix to the Authority Representation Letter of City of Lincoln Council Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The

following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and

- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled, or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

## **Appendix 1: Unadjusted Audit Misstatements**

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(Cr)	Balance Sheet Dr/(Cr)	Comments
1	Dr Other Debtors  Cr Other Service Expenses	£478	(£478)	The Council previously paid a sum to a Property Development company in order to release themselves from an income sharing agreement for a car park, whereby the development company, who had constructed a cinema, received a proportion of the car park revenue. The Council incorrectly treated this as an amortised asset (Debtor) rather than expensing this as a penalty charge for terminating the contract.
2	Dr Fair Value gain on Investment Property  Cr Investment Property	£300	(£300)	We identified that the yields used by the valuer in relation to Deacon Road Retail Park were optimistic and outside KPMG expectation. Using the KPMG expected values, we calculated this asset value was overstated.
<b>Total</b>		<b>£778</b>	<b>(£778)</b>	

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**AUDIT COMMITTEE****10 DECEMBER 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, for information, the final Statement of Accounts for the financial year ending 31 March 2024, following substantial completion of the audit opinion.

**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 28 February 2025.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2023/24 are still subject to final verification by external audit. The audit of the accounts is being finalised by KPMG, who commenced the audit in July. The majority of the audit work has now been completed, however should any changes be necessary as a result of this final external work, these will be reported to the Chair of the Audit Committee, with any material changes notified to the Audit Committee.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 30 working days. Following notification from KPMG, this runs from 3 June until 12 July 2024 and the External Auditor is available to answer questions during this period.
- 2.5 During the completion of the external audit there were four misstatements above the threshold level of £100k, of these two misstatements have been amended in the final version of the Statement of Accounts. The unadjusted misstatements relate to a valuation of a Council property that was deemed "optimistic" and the treatment of a historic transaction agreed by the Council's previous auditors. If there are any further misstatements identified as part of the completion of the external audit work, these will be reported to this Committee.
- 2.6 The Audit Completion Report also provides a number of recommendations around internal controls that management have made comment on.
- 2.7 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 required the Statement of Accounts to be certified by the Council's Chief Finance Officer by the 31 May for 2024/25. The Accounts are then released to be audited by the Council's external auditor, KPMG. As reported to Audit Committee in September, the dates by which completion of the audit and publication with the audit opinion and certificate has now moved to 28 February 2025 for the 2023/24 accounts. 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	10 December 2024
c) Report to the Executive	6 January 2025
d) Approval by Council	21 January 2025

3.2 Where an audit of accounts has not been concluded by the statutory deadline, the Council must (in accordance with the Accounts and Audit Regulations 2015) publish as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the Statement of Accounts and it reasons for this. Whilst there is still a national delay on many audit opinions, City of Lincoln Council are not in a position where this is required for 2023/24 and will meet the new backstop date.

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

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

### **4. Going Concern Assessment**

4.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2023/24. In accordance with the Code the Council's Statement of Accounts is prepared assuming that the functions of the authority will continue in operational existence for the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business. The Code also states "An authority shall prepare its financial statements on a going concern basis unless there is an intention by government



that the services provided by the authority will no longer be provided. An intention by government to transfer services from one authority to another (for example, as part of local government reorganisation) does not negate the presumption that the authority is a going concern”.

- 4.2 We are satisfied there are no indications of changes to the ‘continued provision of services’ principle, which underpins our assessment of the Council’s going concern basis. The Council is not reliant on significant alternative sources of non-statutory funding and no events or conditions have been identified that highlight uncertainties in relation to the Council’s continuing existence and the extent to which our services may cease or transfer outside of the public sector.

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

### 5.1 The Comprehensive Income and Expenditure Statement

- 5.1.1 **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 a increase in General Fund Balances of £0.600m and a increase on HRA balances of £1.039m as reported in the Financial Outturn report (Executive 3 June 2024).

	£m	£m
<b>Net (surplus)/deficit on the Provision of Services</b>		<b>(15.870)</b>
<i>Of which:</i>		
<b>General Fund</b>	£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 unapplied credited to CIES	5.407	
Adjustment for Collection Fund	0.558	
Adjustment for Financial Instruments	0	
<b>Total Adjustments</b>		<b>3.245</b>
<b>(Increase)/decrease in General Fund Balances</b>		<b>(0.600)</b>
<i>Of which:</i>		
<b>HRA</b>	£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 unapplied credited to CI&ES	0.817	
Transfer to/from the MRR	10.752	
<b>Total Adjustments</b>		<b>10.986</b>
<b>(Increase)/decrease in HRA Balances</b>		<b>(1.039)</b>
<b>Overall (Increase)/decrease in Balances</b>		<b>(1.639)</b>

5.1.2 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 reported an outturn of an overall budget deficit of £0.175m General Fund balances (including earmarked reserves) of £11.525m as at 31 March 2024.

5.1.3 The Housing Revenue Account is reporting an outturn of an overall budget deficit £0.053m, resulting in HRA balances (including earmarked reserves) of £7.797m as at 31 March 2024.

5.1.4 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.

## 5.2 The Balance Sheet (SOA page 28)

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

5.2.2 **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)
<b>Total</b>	<b>3.604</b>	<b>3.377</b>	<b>(0.227)</b>

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

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	12.072	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<sup>rd</sup> June 2024 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA *page 66-68*). 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.

- 5.2.4 **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 an increase from the previous year's ratio of 1.36:1. This is due to an reduction in short-term investments.
- 5.2.5 **Debtors** – debtors have decreased by £3.664m to £20.209m. The increase is mainly due to increases in balances on the Central Government and County Council 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.
- 5.2.6 **Creditors** – have increased by £1.573m to £27.827m. This is mainly due to grants being held with conditions to be met awaiting utilisation.

### 5.3 Cross Cutting Key Issues

- 5.3.1 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:

5.3.2 **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 is re-valued 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. 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.

5.3.3 **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 100*). 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.

5.3.4 **Officer remuneration** – note 32 to the accounts (*SOA page 91*) details senior staff salaries and the number of employees receiving more than £50k remuneration during the year (this includes receipt of any redundancy payments). Also detailed within the note is the redundancy/pension/payment in

lieu costs paid in year, in line with Executive approvals of Towards Financial Sustainability business cases and the Council's redundancy policy.

**5.3.5 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 financial year (2022/23) at 3.02%.
- 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%
<b>Total</b>	<b>107.742</b>	<b>100.00%</b>

**5.3.6 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%).

## **6. Strategic Priorities**

6.1 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.

6.2 Communication - The final Statement of Accounts along with the summary version will be published on the Council website.

## **7. Organisational Impacts**

### **7.1 Finance**

The financial implications are contained throughout this report.

### **7.2 Legal Implications including Procurement Rules**

In accordance with the Accounts and Audit (Amendment) Regulations 2024 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 28 February 2025. Where an audit of accounts has not been concluded by the specified date, the Council must publish as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the Statement of Accounts and it reasons for this. City of Lincoln Council are not in a position where this is required for 2023/24 and will meet the new backstop date.

### **7.3 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.

## **8. Risk Implications**

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

## **9. Recommendation**

9.1 The Audit Committee are asked to note the final Statement of Accounts 2023/24, noting that the external audit is substantially complete.

- 9.2 The Audit Committee are asked to delegate any further changes to the Statement of Accounts arising from the conclusion of the external audit to the Chief Finance Officer who will report any changes to the Chair of the Audit Committee.

**Key Decision** No

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

**Do the Exempt Information Categories Apply** No

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

**Does the report contain Appendices?** Yes

**List of Background Papers:** Medium Term Financial Strategy 2024-2029  
Financial Performance - Outturn 2023/24

**Lead Officer:** Laura Shipley, Financial Services Manager  
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## SUMMARY ACCOUNTS 2023/24

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

### Income and Expenditure

This table outlines the cost to Council Tax payers of running council services over the year.

<b>NET EXPENDITURE</b>	<b>£'000</b>
Chief Executive	7,437
Housing & Regeneration	785
Communities & Environment	4,383
Major Developments	(1,580)
Corporate	123
<b>Net Cost of Services</b>	<b>11,148</b>
Drainage Rates	940
Financing and Investment Inc & Exp	(1,694)
Capital Expenditure	4,262
Appropriation to/(from) Earmarked Reserves	774
<b>Total Council Expenditure</b>	<b>15,430</b>
<b>FINANCED BY:</b>	<b>£'000</b>
Council Tax	(7,420)
NNDR Business Rates	(6,917)
Non-specific Grant Income	(918)
<b>Total Resources</b>	<b>(15,255)</b>
<b>(Surplus)/Deficit in year</b>	<b>175</b>
<b>General Fund balance brought forward</b>	<b>10,925</b>
Transfer to General Fund Reserves in year	774
Deficit in year	(175)
<b>General Fund Balance carried forward</b>	<b>11,524</b>

## Balance Sheet

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

**Here is a summary of the Balance Sheet as at 31 March 2024**

<b>Assets and Liabilities</b>	<b>£'000</b>
Long Term Assets	497,600
Stock (stores of materials)	154
Debtors (people who owe money to the Council)	20,209
Investments (value of money invested)	17,831
Assets Held for Sale	380
Cash at bank	130
Current Liabilities (council debts payable within 1 year)	(32,043)
Long-Term Liabilities (Debts payable after 1 year)	(118,786)
<b>Total Net Assets</b>	<b>385,475</b>
<b>Financed By:</b>	<b>£'000</b>
Usable Reserves	51,333
Unusable Reserves	334,142
<b>Total Reserves and Balances</b>	<b>385,475</b>

At the end of the year the council had £0.784m worth of long-term investments and £17.831m of short-term investments. At the end of the year the council had £4.216m of short-term borrowing and £105.068m of long-term borrowing.

## Cash Flow Statement

This table shows the flow of cash during the year:

<b>CASH FLOW STATEMENT</b>	<b>£'000</b>
Cash as at 1 April 2023	509
Net Cash flow from operating activities	5,876
Net Cash flow from investing activities	11,013
Net cash flow from financing activities	(17,268)
<b>Cash as at 31 March 2024</b>	<b>130</b>

## Housing Revenue Account

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

### Number of properties

The Council owns 7,784 homes, consisting of the following types:

Low-Rise Flats	2,355
Medium Rise Flats	1,048
High Rise Flats	293
Houses/Bungalows	4,088
General Fund	9
<b>Total Council Dwellings</b>	<b>7,784</b>

During the year 34 properties were sold under the Right to Buy scheme.

This table provides a summary of the Housing Revenue Account for 2023/24:

<b>Income</b>	<b>£'000</b>
Rents & Service Charges	(33,587)
Other Income	(1,083)
<b>Total Income</b>	<b>(34,625)</b>
<b>Expenditure</b>	<b>£'000</b>
Repairs and maintenance	11,239
Supervision and management	9,366
Rents, Rates and Other Premises	777
Bad Debt Provision	(83)
Other Expenditure	291
<b>Total Expenditure</b>	<b>21,590</b>
<b>Net Cost of Service</b>	<b>(13,035)</b>
Financing and Investment Inc & Exp	1,241
Appropriation to/(from) Major Repairs Reserve	10,751
Appropriation to/(from) Earmarked Reserves	1,096
<b>(Surplus)/Deficit for year</b>	<b>53</b>
<b>HRA Balance bought forward</b>	<b>6,754</b>
Transfer to HRA Reserves in year	1,096
Deficit in year	(53)
<b>HRA balance carried forward</b>	<b>7,797</b>

## Capital Expenditure

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

In 2023/24 the Council's capital expenditure totalled £26.364 million.

**Below is a breakdown of the capital expenditure for 2023/24:**

	£'000
Works to the Housing Stock	7,307
Housing Development and Acquisition	6,980
HRA IT Infrastructure	419
Central Market	3,321
Better Care Fund	1,128
Western Growth Corridor	3,923
Towns Fund	1,331
LAD Schemes	581
Other	1,374
<b>Total Capital Spend</b>	<b>26,364</b>

	£'000
General Fund Investment Programme	11,631
Housing Investment Programme	14,733
<b>Total Capital Spend</b>	<b>26,364</b>

**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 24<sup>th</sup> 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.

	<b>ACTUAL 2023/24 £'000</b>	<b>REVISED BUDGET 2023/24 £'000</b>	<b>VARIANCE 2023/24 £'000</b>
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
<b>Net Cost of Services</b>	<b>11,148</b>	<b>10,616</b>	<b>532</b>
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
<b>Total Council Expenditure</b>	<b>15,430</b>	<b>15,293</b>	<b>137</b>
Business Rates Income	(6,917)	(6,807)	(110)
Non-specific Grant Income	(918)	(875)	(43)
Council Tax	(7,420)	(7,420)	0
<b>Total Resources</b>	<b>(15,255)</b>	<b>(15,102)</b>	<b>(153)</b>
<b>(Surplus)/Deficit</b>	<b>175</b>	<b>191</b>	<b>(16)</b>

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.

	<b>ACTUAL 2023/24 £'000</b>	<b>REVISED BUDGET 2023/24 £'000</b>	<b>VARIANCE 2023/24 £'000</b>
<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
<b>Sub Total Expenditure</b>	<b>21,590</b>	<b>21,160</b>	<b>430</b>
<u>Income</u>			
Rents & Service Charges	(33,587)	(33,197)	(390)
Other Income	(1,038)	(780)	(258)
<b>Sub Total Income</b>	<b>(34,625)</b>	<b>(33,977)</b>	<b>(648)</b>
<b>Net Cost of Service</b>	<b>(13,035)</b>	<b>(12,817)</b>	<b>(218)</b>
Financing and Investment Inc & Exp	1,241	2,047	(806)
<b>(Surplus)/Deficit on HRA</b>	<b>(11,794)</b>	<b>(10,770)</b>	<b>(1,024)</b>
Appropriation to/(from) Major Repairs Reserves	10,751	10,749	2
Appropriations to/(from) Earmarked Reserves	1,096	79	1,017
<b>Net HRA (Surplus)/Deficit</b>	<b>53</b>	<b>58</b>	<b>(5)</b>

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
<b>Capital Expenditure</b>			
General Fund	11,632	15,333	(3,701)
Housing Revenue	14,732	16,120	(1,388)
<b>Total Expenditure</b>	<b>26,364</b>	<b>31,453</b>	<b>(5,089)</b>
<b>Financed by:</b>			
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)
<b>Total Financing</b>	<b>26,364</b>	<b>31,453</b>	<b>(5,089)</b>

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

	£'000
<b>Housing</b>	
Housing Stock Improvement	7,307
Other current developments	446
New builds and acquisitions	6,980
<b>General Fund</b>	
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
<b>Total</b>	<b>26,364</b>

### Capital Financing

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

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

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: 31<sup>st</sup> 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
<b>Movement in reserves during 2022/23</b>								
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
<b>Total Comprehensive Expenditure and Income</b>	<b>2,110</b>	<b>23,207</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,317</b>	<b>76,380</b>	<b>101,697</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	(7,542)	(22,298)	2,544	1,239	(390)	(26,447)	26,447	0
<b>Increase/(Decrease) in Year</b>	<b>(5,432)</b>	<b>909</b>	<b>2,544</b>	<b>1,239</b>	<b>(390)</b>	<b>(1,131)</b>	<b>102,827</b>	<b>101,696</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>10,925</b>	<b>6,754</b>	<b>22,632</b>	<b>6,947</b>	<b>1,707</b>	<b>48,964</b>	<b>332,015</b>	<b>380,979</b>

## 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
<b>Balance at 31 March 2023</b>	<b>10,925</b>	<b>6,754</b>	<b>22,632</b>	<b>6,947</b>	<b>1,707</b>	<b>48,964</b>	<b>332,015</b>	<b>380,979</b>
<b>Movement in reserves during 2023/24</b>								
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)
<b>Total Comprehensive Expenditure and Income</b>	<b>3,845</b>	<b>12,025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,870</b>	<b>(9,943)</b>	<b>5,927</b>
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)
<b>Net Increase/Decrease in Year</b>	<b>600</b>	<b>1,039</b>	<b>1,106</b>	<b>1,055</b>	<b>(1,432)</b>	<b>2,368</b>	<b>2,127</b>	<b>4,495</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>11,525</b>	<b>7,793</b>	<b>23,738</b>	<b>8,002</b>	<b>275</b>	<b>51,333</b>	<b>334,142</b>	<b>385,475</b>

# 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
<b>73,011</b>	<b>(76,589)</b>	<b>(3,578)</b>	<b>Cost of Services</b>	<b>90,082</b>	<b>(85,406)</b>	<b>4,676</b>
	318		Other Operating Expenditure			572
	1,994		Financing and Investment			(198)
	(24,051)		Income and Expenditure			
			Taxation and Non-Specific			(20,920)
			Grant Income			
	<b>(25,317)</b>		<b>(Surplus) or Deficit on Provision of Services</b>			<b>(15,870)</b>
	(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
	<b>(76,380)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>9,943</b>
	<b>(101,696)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(5,927)</b>

\*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
<b>485,011</b>	<b>Long Term Assets</b>		<b>497,600</b>
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
<b>55,641</b>	<b>Current Assets</b>		<b>38,704</b>
0	Cash and Cash Equivalents	20	0
(14,396)	Short Term Borrowing	18,44	(4,216)
(26,254)	Short Term Creditors	22	(27,827)
<b>(40,649)</b>	<b>Current Liabilities</b>		<b>(32,043)</b>
0	Long Term Creditors	18,44	0
(1,985)	Provisions	23	(730)
(109,243)	Long Term Borrowing		(105,068)
(7,796)	Pension Liability	41	(12,988)
<b>(119,024)</b>	<b>Long Term Liabilities</b>		<b>(118,786)</b>
<b>380,979</b>	<b>Net Assets</b>		<b>385,475</b>
48,964	Usable reserves	10,24	51,333
332,015	Unusable Reserves	25	334,142
<b>380,979</b>	<b>Total Reserves</b>		<b>385,475</b>



## 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	(159)
(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)
<b>(8,497)</b>	<b>Net cash flows from Operating Activities</b>		<b>5,876</b>
7,138	Investing Activities	29	11,013
1,971	Financing Activities	30	(17,268)
<b>612</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(379)</b>
(103)	Cash and cash equivalents at the beginning of the reporting period		509
<b>509</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	20	<b>130</b>

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## NOTES TO THE ACCOUNTS

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

### Note 1 – Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 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
<b>Business Rates</b>  (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 <sup>st</sup> 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.
<b>Property, Plant and Equipment (PPE)</b>  (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.

<b>Assets held for sale and investment properties</b>  (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.
<b>Arrears</b>  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.
<b>Pension Liability</b>  (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.
<b>Investments</b> (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.
<b>Pension Fund Property Investment Assets</b> 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 31<sup>st</sup> 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
1,007	(225)	782	Corporate Services	123	1,117	1,240
<b>9,286</b>	<b>(12,864)</b>	<b>(3,578)</b>	<b>Net Cost of Services</b>	<b>(1,887)</b>	<b>6,563</b>	<b>4,676</b>
(4,764)	(16,975)	(21,739)	Other Income and Expenditure	248	(20,794)	(20,546)
<b>4,522</b>	<b>(29,839)</b>	<b>(25,317)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,639)</b>	<b>(14,231)</b>	<b>(15,870)</b>
		<b>Total</b>				<b>Total</b>
		<b>(22,202)</b>	Opening Balance GF & HRA			<b>(17,679)</b>
		4,521	Less/ Plus (Surplus) or Deficit in Year			(1,639)
		<b>(17,679)</b>	Closing Balance at 31 March GF & HRA			<b>(19,318)</b>

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's different categories of expenditure and income. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Further analysis can be found in Note 8.

### Note 7A – Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS						
	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)
<b>Net Cost of Services</b>	<b>(13,699)</b>	<b>922</b>	<b>(87)</b>	<b>(12,864)</b>	<b>0</b>	<b>(12,864)</b>
Other Income & Expenditure from the Funding Analysis	(13,578)	1,266	(4,663)	(16,975)	0	(16,975)
<b>Difference between General Fund Surplus/ Deficit and CIES Income &amp; Expenditure Statement Surplus/ Deficit</b>	<b>(27,277)</b>	<b>2,188</b>	<b>(4,750)</b>	<b>(29,839)</b>	<b>0</b>	<b>(29,839)</b>

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
<b>Net Cost of Services</b>	<b>8,376</b>	<b>(1,841)</b>	<b>28</b>	<b>6,563</b>	<b>0</b>	<b>6,563</b>
Other Income & Expenditure from the Funding Analysis	(10,853)	252	(10,193)	(20,794)	0	(20,794)
<b>Difference between General Fund Surplus/ Deficit and CIES Income &amp; Expenditure Statement Surplus/ Deficit</b>	<b>(2,477)</b>	<b>(1,589)</b>	<b>(10,165)</b>	<b>(14,231)</b>	<b>0</b>	<b>(14,231)</b>

## 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
<b>Total Income analysed on a Segmental Basis</b>	<b>(52,046)</b>	<b>(54,851)</b>

## Note 8 – Expenditure and Income Analysed by Nature

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

	2022/23	2023/24
	£'000s	£'000s
<b>Expenditure/ Income</b>		
<b>Expenditure</b>		
Employee Benefit Expenses	27,732	25,355
Other Services Expenses	73,159	70,794
Depreciation, Amortisation and Impairment	(10,289)	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
<b>Total Expenditure</b>	<b>101,092</b>	<b>109,499</b>
<b>Income</b>		
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)
<b>Total Income</b>	<b>(126,409)</b>	<b>(125,369)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(25,317)</b>	<b>(15,870)</b>



## **Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year (the balance is not available to be applied to funding HRA services).

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	(938)	(651)	0	0	0	<b>1,589</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0	0	0	<b>0</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	558	0	0	0	0	<b>(558)</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	37	(9)	0	0	0	<b>(28)</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	8,415	3,204	0	0	0	<b>(11,619)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>8,072</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,616)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,650)	(2,005)	3,655	0	0	<b>0</b>
Transfer of capital grants and contributions to capital grants unapplied	0	0	0	0	0	<b>0</b>
Admin costs of RTB	0	43	(43)	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(10,751)	0	10,751	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(867)	0	0	0	0	<b>867</b>

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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,911)</b>	<b>(12,713)</b>	<b>3,612</b>	<b>10,751</b>	<b>0</b>	<b>4,261</b>
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	<b>(5,406)</b>	<b>(817)</b>	<b>(2,557)</b>	<b>(9,645)</b>	<b>(1,432)</b>	<b>18,425</b>
<b>Total Adjustments</b>	<b>(3,245)</b>	<b>(10,986)</b>	<b>1,055</b>	<b>1,106</b>	<b>(1,432)</b>	<b>12,070</b>

2022/23	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,389	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
<b>Total Adjustments to Revenue Resources</b>	<b>2,791</b>	<b>(8,621)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,830</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(3,239)	3,239	0	0	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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<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(10,332)</b>	<b>(13,677)</b>	<b>3,173</b>	<b>9,321</b>	<b>9,941</b>	<b>1,574</b>
<b><i>Adjustments to Capital Resources</i></b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,934)	0	0	<b>1,934</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(6,778)	0	<b>6,778</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(10,330)	<b>10,330</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,934)</b>	<b>(6,778)</b>	<b>(10,330)</b>	<b>19,042</b>
<b>Total Adjustments</b>	<b>(7,542)</b>	<b>(22,298)</b>	<b>1,239</b>	<b>2,544</b>	<b>(390)</b>	<b>26,446</b>

## Note 10 – Movements in Earmarked Reserves

These amounts are held to meet expenditure in future financial years. The movements on these Revenue Reserve Accounts during the year have been as follows:

	Balance @ 31.03.22 £'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	
<b>General Fund</b>									
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
24 Funding for Strategic Priorities	89	0	0	(89)	0	0	0	0	0
24 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	46	0	195
Western Growth Corridor Plan	49	0	0	(49)	0	0			
<b>Total General Fund</b>	<b>14,159</b>	<b>0</b>	<b>1,561</b>	<b>(7,212)</b>	<b>8,510</b>	<b>0</b>	<b>2,875</b>	<b>(2,105)</b>	<b>9,280</b>
<b>Earmarked Reserves</b>									
<b>HRA</b>									
De Wint Court	73	0	0	0	73	0	0	0	73
De Wint Court Sinking Fund	0	0	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)	843
Tenant Satisfaction Survey	0	0	22	0	22	0	9	0	31
Regulator of Social Housing	0	0	0	0	0	0	180	0	180
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

	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	
Housing Repairs Service	126	0	11	0	137	(61)	0	0	76
<b>Total HRA Earmarked Reserves</b>	<b>4,815</b>	<b>0</b>	<b>1,051</b>	<b>(304)</b>	<b>5,562</b>	<b>0</b>	<b>1,586</b>	<b>(490)</b>	<b>6,658</b>
<b>Total Earmarked Reserves</b>	<b>18,974</b>	<b>0</b>	<b>2,612</b>	<b>(7,516)</b>	<b>14,072</b>	<b>0</b>	<b>4,461</b>	<b>(2,595)</b>	<b>15,938</b>



### 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)
<b>318</b>	<b>Total</b>	<b>572</b>

### 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)
<b>1,994</b>	<b>Total</b>	<b>(198)</b>

### 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)
<b>(24,051)</b>	<b>Total</b>	<b>(20,920)</b>

# Note 14 – Non-Current Assets including Property, Plant & Equipment, Investment Properties and Intangible Assets

The movement in the Council's Assets during the year was as follows:

Movements in 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
<b>Cost or Valuation</b>										
<b>At 1 April 2023</b>	<b>322,627</b>	<b>80,789</b>	<b>11,479</b>	<b>7,500</b>	<b>21,149</b>	<b>10,553</b>	<b>454,098</b>	<b>2,074</b>	<b>36,578</b>	<b>492,750</b>
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
<b>At 31 March 2024</b>	<b>331,830</b>	<b>84,017</b>	<b>11,650</b>	<b>7,762</b>	<b>11,743</b>	<b>15,849</b>	<b>462,852</b>	<b>2,074</b>	<b>38,338</b>	<b>503,264</b>
<b>Depreciation</b>										
<b>At 1 April 2023</b>	<b>(20)</b>	<b>(3,276)</b>	<b>(6,542)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(9,956)</b>	<b>(1,986)</b>	<b>0</b>	<b>(11,943)</b>
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	<b>12,972</b>	0	0	<b>12,972</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of services	0	(275)	0	0	0	0	<b>(275)</b>	0	0	<b>(275)</b>
De-recognition – disposals	0	0	7	0	0	0	<b>7</b>	0	0	<b>7</b>
De-recognition – other	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2024</b>	<b>0</b>	<b>(279)</b>	<b>(7,292)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(7,689)</b>	<b>(2,025)</b>	<b>0</b>	<b>(9,715)</b>
<b>Net book value of assets at 31.03.24</b>	<b>331,830</b>	<b>83,738</b>	<b>4,358</b>	<b>7,643</b>	<b>11,743</b>	<b>15,849</b>	<b>455,163</b>	<b>49</b>	<b>38,338</b>	<b>493,550</b>
<b>Net book value of assets at 31.03.23</b>	<b>322,607</b>	<b>77,513</b>	<b>4,937</b>	<b>7,381</b>	<b>21,149</b>	<b>10,553</b>	<b>444,142</b>	<b>88</b>	<b>36,578</b>	<b>480,807</b>

<b>Movements in 2022/23</b>										
	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equip</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Property Plant &amp; Equip Subtotal</b>	<b>Intangible Assets</b>	<b>Investment Properties</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>										
<b>At 1 April 2022</b>	<b>299,437</b>	<b>79,721</b>	<b>11,157</b>	<b>6,692</b>	<b>21,490</b>	<b>5,705</b>	<b>424,202</b>	<b>2,074</b>	<b>36,016</b>	<b>462,292</b>
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
<b>At 31 March 2023</b>	<b>322,627</b>	<b>80,789</b>	<b>11,479</b>	<b>7,500</b>	<b>21,149</b>	<b>10,553</b>	<b>454,098</b>	<b>2,074</b>	<b>36,578</b>	<b>492,750</b>
<b>Depreciation</b>										
<b>At 1 April 2022</b>	<b>0</b>	<b>(1,824)</b>	<b>(5,780)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(7,723)</b>	<b>(1,868)</b>	<b>0</b>	<b>(9,591)</b>
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
<b>Movements in 2021/22</b>										
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
<b>At 31 March 2023</b>	<b>(20)</b>	<b>(3,276)</b>	<b>(6,542)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(9,956)</b>	<b>(1,986)</b>	<b>0</b>	<b>(11,943)</b>
<b>Net book value of assets at 31.03.23</b>	<b>322,607</b>	<b>77,513</b>	<b>4,937</b>	<b>7,381</b>	<b>21,149</b>	<b>10,553</b>	<b>444,141</b>	<b>88</b>	<b>36,578</b>	<b>480,807</b>
<b>Net book value of assets at 31.03.22</b>	<b>299,437</b>	<b>77,897</b>	<b>5,377</b>	<b>6,573</b>	<b>21,490</b>	<b>5,705</b>	<b>416,478</b>	<b>207</b>	<b>36,016</b>	<b>452,701</b>
Owned	322,607	77,513	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>
<b>Council Dwellings</b>	60 years for new properties 30 years for properties over 30 years old
<b>Other Land &amp; Buildings</b>	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
<b>Vehicles, Plant &amp; Equipment</b>	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years

### Intangible Assets

Intangible assets are amortised to service headings within cost of services as part of the Comprehensive Income and Expenditure Statement on a straight-line basis, as stated in the Accounting Policies. The standard useful life, used for amortisation purposes is:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
<b>Intangible Asset</b>	
- Software	5 years

## 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
<b>Cost or Valuation</b>					
At 1 April 2022	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
<b>At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>
<b>Cost or Valuation</b>					
At 1 April 2023	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
<b>At 31 March 2024</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>

#### Civic Insignia

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office and mace. All items are on display at the Guildhall, Lincoln. It also includes four ceremonial and fighting swords of considerable historical significance, which together are valued at £2.359m. 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 31<sup>st</sup> March 2017 by external valuers Bamfords.

#### Other Heritage Assets

This category includes artwork and paintings and miscellaneous assets recognised in the Balance Sheet, such as the Books of Remembrance kept on display at the City Crematorium. These are reported at insurance valuation which is based on market values and are subject to periodic revaluation by an appropriately external qualified valuer. These were revalued at 31<sup>st</sup> March 2017 by external valuers Bamfords.

## Heritage Assets not recognised in the Balance Sheet

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

### Scheduled Ancient Monuments

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

### Memorials

High Street	War memorial
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### Memorials

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

### Public Art

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

## Note 16 – Investment Properties and Surplus Assets

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

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



<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
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
<b><u>2,746</u></b>	<b>Net gain/(loss)</b>	<b><u>1,069</u></b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The movements in the value of investment properties are analysed below:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
<b>36,016</b>	<b>Balance at 1 April</b>	<b>36,578</b>
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
<b><u>36,578</u></b>	<b>Balance at 31 March</b>	<b><u>38,338</u></b>

### **Fair Value Hierarchy**

The Council's Investment Properties have been assessed as being Level 2 on the Fair Value Hierarchy (See Note 1 Accounting Policies, point 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
<b>Total</b>	<b>504</b>	<b>504</b>

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

Summary of Financial Instruments		31/03/23	31/03/24
		£000s	£000s
<b>Financial Liabilities at amortised cost</b>			
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
<b>Total Financial Liabilities</b>		<b>(135,118)</b>	<b>(120,954)</b>
<b>Financial Assets at amortised cost</b>			
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
<b>Total Financial Assets</b>		<b>46,365</b>	<b>26,729</b>
<b>Financial Assets at FVOCI*</b>			
Long Term Investments	Level 2	824	784
<b>Total Assets at FVOCI</b>		<b>824</b>	<b>784</b>

\*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
<b>Net (gain)/loss for the year</b>	<b>3,639</b>	<b>(1,781)</b>	<b>(6)</b>	<b>1,852</b>

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

### 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
<b>123,636</b>	<b>103,436</b>	<b>Total Debt</b>		<b>109,284</b>	<b>82,696</b>

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
<b>37,543</b>	<b>37,543</b>	<b>Total Investments</b>	<b>18,329</b>	<b>18,329</b>

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
<b>20,559</b>	<b>Total Short-Term Debtors</b>	<b>23,700</b>
<b>(4,014)</b>	Less Impairment Loss Allowance	<b>(3,491)</b>
<b>16,545</b>	<b>Net Short-Term Debtors as per Balance Sheet</b>	<b>20,209</b>

### Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

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
<b>8,678</b>	<b>Total</b>	<b>13,452</b>

## 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
<b>509</b>		<b>130</b>

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 31<sup>st</sup> March 2024.

<b>Current 2022/23 £000</b>		<b>Current 2023/24 £000</b>
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)
<b>1,500</b>	<b>Closing Balance</b>	<b>380</b>

### 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:

<b>31/03/23 £'000</b>		<b>31/03/24 £'000</b>
(12,603)	Central Government Bodies	(12,407)
(2,122)	Other Local Authorities	(3,010)
(11,529)	Other Entities and Individuals	(12,411)
<b>(26,254)</b>	<b>Total</b>	<b>(27,827)</b>

### Note 23 – Provisions

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

	<b>Business Rates RV Reduction - Think Tank £'000</b>	<b>Compulsory Purchase Order £'000</b>	<b>Business Rates Appeals £'000</b>
<b>Balance at 1 April 2023</b>	<b>(37)</b>	<b>(96)</b>	<b>(1,852)</b>
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
<b>Balance at 31 March 2024</b>	<b>(37)</b>	<b>(100)</b>	<b>(593)</b>

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.

<b>Balance 31/03/23</b>	<b>Reserve Summary</b>	<b>Balance 31/03/24</b>
<b>£'000</b>		<b>£'000</b>
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)
<b>332,015</b>		<b>334,142</b>

#### **a) Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2022/23 £'000		2023/24 £'000
<b>31,543</b>	<b>Balance 1 April</b>	<b>32,227</b>
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)
<b>32,227</b>	<b>Balance 31 March</b>	<b>28,493</b>

#### b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties, *gains and losses on Assets held for Sale* and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2022/23 £'000		2023/24 £'000
<b>282,571</b>	<b>Balance 1 April</b>	<b>306,749</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(10,062)	Charges for depreciation and amortisation of non-current assets	(10,476)
0	Other movements of depreciation	0

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
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)
<b>3,423</b>		<b>(11,621)</b>
139	Adjusting amounts written out of the Revaluation Reserve	613
<b>3,562</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(11,009)</b>
<b>Capital Financing applied in year:</b>		
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
<b>20,616</b>		<b>22,686</b>
<b>306,749</b>	<b>Balance 31 March</b>	<b>318,427</b>

### 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.

<b>2022/23</b> <b>£'000</b>	<b>Financial Instruments Revaluation Reserve</b>	<b>2023/24</b> <b>£'000</b>
<b>801</b>	<b>Balance 1 April</b>	<b>809</b>
0	Transfer from Available for Sale Financial Instruments Reserve	0
8	(Gain)/Loss on FVOCI revaluations in year	(40)
<b>809</b>	<b>Balance 31 March</b>	<b>769</b>

#### 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)	<b>Balance 1 April</b>	(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
<b>(123)</b>	<b>Balance 31 March</b>	<b>(41)</b>

#### 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)	<b>Balance 1 April</b>	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)
<b>717</b>	<b>Balance 31 March</b>	<b>78</b>

#### 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)	<b>Balance 1 April</b>	(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)	<b>Balance 31 March</b>	(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	1,754
(4,129)	Interest paid	(3,774)
40	Dividends Received	46
(1,279)		(1,974)

#### 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	(2,702)
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)		(159)

**Note 28 – Cash Flow Statement – Adjustment to surplus or deficit on the provision of services for items that are investing & financing activities**

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
(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)
<b><u>(13,114)</u></b>		<b><u>(9,835)</u></b>

**Note 29 – Cash Flow Statement - Investing Activities**

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
(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	3,612
263,028	Proceeds from short-term and long-term investments	204,248
10,054	Other receipts from investing activities	10,662
<b><u>7,138</u></b>	<b>Net cash flows from investing activities</b>	<b><u>11,013</u></b>

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

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
0	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
6,640	Cash receipts of short & long-term borrowing	4,500
0	Other receipts from financing activities	0
(9,895)	Repayments of short- and long-term borrowing	(18,720)
5,226	Other payments for financing activities	(3,048)
<b><u>1,971</u></b>	<b>Net cash flows from financing activities</b>	<b><u>(17,268)</u></b>

### 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 <sup>1</sup>	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
	<b>449,053</b>	<b>0</b>	<b>102</b>	<b>0</b>	<b>449,155</b>	<b>104,992</b>	<b>554,148</b>

- 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 <sup>1</sup>	130,602				130,602	22,594	153,196
Director of Housing & Investment	100,904				100,904	17,456	118,360
Director of Communities & Environment	101,101				101,101	17,456	118,557
Director for Major Developments	100,904				100,904	17,456	118,360
	<b>433,511</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>433,511</b>	<b>74,962</b>	<b>508,473</b>

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	17	13
55,000 - 59,999	9	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
85,000 - 89,999	0	0
90,000 - 94,999	1	0
95,000 - 99,999	1	0

For employees receiving remuneration of £100,000 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



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
							£	£
£20,001 - £40,000	0	0	4	0	4	0	111,129	0
£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
<b>Total cost included in bandings</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>4</b>	<b>14</b>	<b>4</b>	<b>288,557</b>	<b>159,983</b>
Add: Amounts provided for in CIES not included in bandings							0	0
<b>Total cost included in CIES</b>							<b>288,557</b>	<b>159,983</b>

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

An exit package totalling £87,597 whilst paid in 2023/24 was approved by the Council's Executive board at its meeting on 06/01/2023.

### 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
	<b>Fees payable for statutory audit services</b>	
57	Fees Payable with regard to external audit services carried out by the appointed auditor	140
<b>57</b>		<b>140</b>
	<b>Fees payable for other audit services</b>	
11	Fees payable for the certification of grant claims and returns	30
<b>69</b>	<b>Total fee payable to external auditors</b>	<b>170</b>

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:

<b>Credited to Taxation and Non-Specific Grant Income</b>		
<b>2022/23 £'000</b>		<b>2023/24 £'000</b>
(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)
<b>(923)</b>	<b>Total Non-Ring-fenced Grants shown on CIES</b>	<b>(929)</b>
(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)
<b>(9,941)</b>	<b>Total Capital Grants and Contributions shown on CIES</b>	<b>(6,223)</b>
<b>(3,192)</b>	<b>S31 Grants included in Non-Domestic Rates Income on CIES</b>	<b>(3,660)</b>
<b>(14,056)</b>	<b>Total Non-Ringfenced Grants included in CIES</b>	<b>(10,812)</b>
<b>Credited to Services</b>		
<b>2022/23 £'000</b>		<b>2023/24 £'000</b>
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)
<b>(26,023)</b>	<b>Total Grants and Contributions credited to Services</b>	<b>(31,149)</b>
<b>(40,079)</b>	<b>Total Grants, Contributions and Donated Assets</b>	<b>(41,961)</b>

### 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.

<b>Name of Organisation</b>	<b>Member Representative</b>	<b>Officer Representative</b>
Upper Witham – Drainage Board	Councillor G Hewson Councillor R Longbottom Councillor P Vaughan Councillor C Burke Councillor D Armiger Councillor C Watt Councillor L Bushell Councillor B Bushell Councillor D Nannestad	Chief Executive
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan 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 <sup>st</sup> Drainage Board	191
282	Witham 3 <sup>rd</sup> Drainage Board	324
<b>923</b>	<b>Total</b>	<b>1,082</b>

**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
	<b>Capital investment</b>	
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
<b>23,860</b>		<b>26,364</b>
2022/23 £'000		2023/24 £'000
	<b>Sources of finance</b>	
(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)
<b>(19,791)</b>	<b>Total sources of financing</b>	<b>(21,819)</b>
<b>(4,069)</b>	<b>Capital Financing Requirement</b>	<b>4,545</b>
	<b>Capital Financing Requirement - Funded by:</b>	
(4,069)	Unsupported Borrowing	(4,545)
<b>(4,069)</b>		<b>(4,545)</b>
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
<b>146,104</b>	<b>Closing CFR</b>	<b>149,781</b>

## 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:

<b>31/03/2023</b>		<b>31/03/2024</b>
<b>£'000</b>		<b>£'000</b>
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
<b>1,820</b>		<b>1,498</b>

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
234	Vehicles Plant & Equipment	224
<b>234</b>	<b>Minimum lease payments</b>	<b>224</b>

### Council as Lessor

#### Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 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:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
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
<b>31,013</b>		<b>29,432</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as rent reviews. In 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
	<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>	
	<b>Net Cost of Services:</b>	
5,960	Current Service Cost	3,156
127	Administration Expenses	138
122	Past Service Costs (including curtailments)	0
	<b>Financing and Investment Income and Expenditure:</b>	
1,266	Net Interest Expense	253
<b>7,475</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,547</b>
<b>2022/23 £'000</b>	<b>Re-measurement of the net defined benefit liability comprising:</b>	<b>2023/24 £'000</b>
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)
0	Other Actuarial gains / losses on assets	0
0	Changes in effect of asset ceiling	18,825
19,683	Other	512
(75,391)	<b>Total re-measurements recognised in Other Comprehensive Income and Expenditure</b>	6,781
<b>(67,916)</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>10,328</b>

**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:

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
(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)
<b>(7,796)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(12,988)</b>

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:**

<b>2022/23</b> <b>£'000</b>		<b>2023/24,</b> <b>£'000</b>
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
<b>166,468</b>	<b>Closing Fair value of scheme assets</b>	<b>180,194</b>

#### 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)
<b>174,264</b>	<b>Closing Balance at 31 March</b>	<b>174,357</b>

#### Local Government Pension Scheme assets comprised:

Quoted in Active Markets	Unquoted in Active Markets	Total		Quoted in Active Markets	Unquoted in Active Markets	Total
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
<b>1,665</b>	<b>0</b>	<b>1,665</b>	<b>Sub-total Fixed Interest Government Securities</b>	<b>0</b>	<b>0</b>	<b>0</b>
			Index Linked Government Securities:			
1,665	0	1,665	UK	0	0	0
0	0	0	Overseas	0	0	0
<b>1,665</b>	<b>0</b>	<b>1,665</b>	<b>Sub-total Index Linked Government Securities</b>	<b>0</b>	<b>0</b>	<b>0</b>

			Corporate Bonds:			
14,982	0	14,982	UK	21,623	0	21,623
0	0	0	Overseas	0	0	0
<b>14,982</b>	<b>0</b>	<b>14,982</b>	<b>Sub-total corporate bonds</b>	<b>21,623</b>	<b>0</b>	<b>21,623</b>
			Equities:			
24,970	0	24,970	UK	14,416	0	14,416
68,251	0	68,251	Overseas	75,681	0	75,681
<b>93,221</b>	<b>0</b>	<b>93,221</b>	<b>Sub-Total equities</b>	<b>90,097</b>	<b>0</b>	<b>90,097</b>
			Property:			
9,988	1,665	11,653	All	9,010	3,604	12,614
<b>9,988</b>	<b>1,665</b>	<b>11,653</b>	<b>Sub-Total Property</b>	<b>9,010</b>	<b>3,604</b>	<b>12,614</b>
			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
<b>13,320</b>	<b>29,965</b>	<b>43,285</b>	<b>Sub-Total Others</b>	<b>23,424</b>	<b>32,436</b>	<b>55,860</b>
			Net Current Assets:			
0	0	0	Debtors	0	0	0
0	0	0	Creditors	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>Sub-Total Net Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>134,838</b>	<b>31,630</b>	<b>166,468</b>	<b>Total assets</b>	<b>144,154</b>	<b>36,040</b>	<b>180,194</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Barnett Waddington, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

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
<b>Adjustment to Discount Rate (increase or decrease by 1%)</b>		
Present Value of Total Obligation	(2,624)	2,692
Projected Service Cost	(108)	113
<b>Adjustment to Long Term Salary (increase or decrease by 1%)</b>		
Present Value of Total Obligation	248	(246)
Projected Service Cost	2	(2)
<b>Adjustment to Pension/Revaluation (increase or decrease by 1%)</b>		
Present Value of Total Obligation	2,492	(2,429)
Projected Service Cost	114	(110)
<b>Adjustment to Life Expectancy (increase or decrease by 1 year)</b>		
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 2024/25 are estimated to be £5.092m

### **Virgin Media Legal Case**

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The impact of the case is currently being looked upon but no known issues have been flagged at this stage.

#### **Note 42 – Contingent Liabilities**

The Council has no Contingent Liabilities as at 31<sup>st</sup> March 2024.

#### **Note 43 – Contingent Assets**

The Council has no Contingent Assets as at 31<sup>st</sup> 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 28<sup>th</sup> 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](http://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](http://www.lincoln.gov.uk)).

The Investment Strategy is based on the creditworthiness service provided by Link Asset Services (treasury management advisors to the Council). This uses a wide range of market information to produce a list of investment counterparties with recommended maximum investment durations. Link uses credit ratings, support ratings and credit default swap prices to arrive at a recommended counterparty list.

The criteria used as a minimum within the Capita methodology are as follows:

- Short Term credit ratings of F1, Long Term A, Support 3 and viability rating BBB (Fitch or equivalent rating), using the lowest common denominator principle.
- Inclusion of part Government owned UK banks based on support assumptions.

The 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)
<b>Deposits with banks and financial institutions</b>			
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
<b>Total</b>	<b>25,813</b>		<b>593</b>

\*See Glossary for a definition of ratings

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

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



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
<b><u>UK Local Authorities</u></b>					
Babergh District Council	3,000	3,000	0	0	0
<b><u>UK Banks &amp; Building Societies</u></b>					
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
<b><u>UK Money Market Funds</u></b>					
BNP Paribas	1,543	0	1,543	0	0
Federated (Prime Rate)	7,000	0	7,000	0	0
<b>Total Investments</b>	<b>17,543</b>	<b>9,000</b>	<b>8,543</b>	<b>0</b>	<b>0</b>

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
<b>2,196</b>	<b>Total</b>	<b>2,474</b>

Collateral – During the reporting period the Council held no collateral as security.

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures

sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows: -

<b>31/03/2023</b> <b>£'000</b>	<b>Maturity Analysis of Financial Liabilities</b>	<b>31/03/2024</b> <b>£'000</b>
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
<b>123,636</b>	<b>Total</b>	<b>109,283</b>

## Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing liability will fall;
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in Other Comprehensive Income and Expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement, in which case gains and losses will be posted to the Surplus/Deficit on Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The 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)
<b>(671)</b>	<b>Impact on Income and Expenditure Account</b>	<b>(154)</b>
(342)	Share of overall impact credited to the HRA	(92)
(329)	Share of overall impact credited to the General Fund	(62)
<b>(671)</b>	<b>Total</b>	<b>(154)</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used for Fair Value of Assets and Liabilities carried at Amortised Cost.

**Price risk** - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.784m 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
	<b>Expenditure</b>			
(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	
<b>(4,636)</b>	<b>Total Expenditure</b>			<b>(19,470)</b>
	<b>Income</b>			
30,089	Dwelling rents		32,514	
405	Non-dwelling rents		423	
725	Other Income		868	
544	Charges for services and facilities		650	
<b>31,763</b>	<b>Total Income</b>			<b>34,455</b>
<b>27,127</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>14,985</b>
(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
<b>24,364</b>	<b>Net Cost for HRA Services</b>			<b>12,307</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
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
<b>23,207</b>	<b>Surplus or (deficit) for the year on HRA services</b>			<b>12,025</b>

\*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	<b>Balance on the HRA at the end of the previous year</b>	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)
<b>908</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>1,044</b>
(748)	Transfers (to) or from reserves	(1,096)
<b>159</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>(57)</b>
<b>1,189</b>	<b>Balance on the HRA at the end of the current year</b>	<b>1,132</b>

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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
<b>Sub-Total</b>	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
<b>Sub-Total</b>	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
<b>Sub-Total</b>	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
<b>Sub-Total</b>	1,734	1,442	198	713	4,088
<b>Total Dwellings 31 March 2024</b>	<b>1,781</b>	<b>2,815</b>	<b>1,412</b>	<b>1,776</b>	<b>7,784</b>

### Note 2 – Housing Revenue Account Assets Valuation

The Council's in-house Valuation Officers, and the District Valuer, have valued the HRA dwellings, land, and other property in accordance with Royal Institute of Chartered Surveyor guidelines.

The Balance Sheet value of council dwellings is calculated by applying a Social Housing discount factor. This represents the market value for the Council's total housing stock adjusted to reflect the fact that the property is socially rented (this adjustment is currently 42%). The discount factor is then applied to the open market or vacant possession value as determined by the District Valuer, as shown below:

	<b>£ 000</b>
Vacant possession value of council dwellings at 31 March 2024	788,773
Balance sheet valuation applying the Social Housing discount factor	331,285

The Balance Sheet value of HRA Assets is as follows:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
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
<b>342,966</b>	<b>Total at 31 March</b>	<b>353,231</b>

### Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

<b>Depreciation:</b>		<b>2023/24</b>
<b>2022/23</b>	<b>Operational Assets:</b>	<b>£'000</b>
<b>£'000</b>		
7,523	Council Dwellings	7,957
339	Other Operational Assets	241
<b>7,862</b>	<b>Total at 31 March</b>	<b>8,199</b>

### Note 4 – Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve to which the Council transfers an amount annually to finance capital expenditure on council dwellings. This amount includes annual depreciation, which is charged to the Housing Revenue Account and then transferred to the Major Repairs Reserve. This may be supplemented by additional revenue contributions from the HRA to support the HRA capital programme. The balance on the Major Repairs Reserve shows the amounts that have yet to be applied to financing.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
<b>(20,088)</b>	<b>Balance on 1 April</b>	<b>(22,631)</b>
	Amount transferred from the HRA	
	- Depreciation	
(7,523)	Dwellings	(7,957)
(339)	Other Assets	(241)
(2,147)	- Other revenue contributions	(2,552)
<b>(30,097)</b>		<b>(33,382)</b>
	Used in Financing	
6,778	- HRA Capital Expenditure	9,645
688	-DRF	0
<b>(22,631)</b>		<b>(23,737)</b>

## Note 5 – Housing Repairs Account

The Housing Repairs Account was set up on 1 April 2001 in order to assist with the longer-term planning of repairs and maintenance expenditure. The following analysis details the movement on the Housing Repairs Account during the year.

2022/23 £'000		2023/24 £'000
<b>(1,351)</b>	Balance on 1 April	<b>(1,351)</b>
	<b>Expenditure in year</b>	
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
<b>8,983</b>		<b>11,231</b>
	<b>Income in year</b>	
(8,909)	Contribution from HRA	(11,098)
0	Contribution to HRA	0
(74)	Repairs Account Income	0
0	Contribution from Leaseholders	(133)
0	Interest Received in year	0
<b>(8,983)</b>		<b>(11,231)</b>
<b>(1,351)</b>	<b>Surplus Balance on 31 March</b>	<b>(1,351)</b>



## Note 6 – Capital Expenditure in the year

The Housing Revenue Account capital expenditure and sources of funding during the financial year are detailed in the following table:

2022/23 £'000		2023/24 £'000
	<b>Capital investment</b>	
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
<b>12,647</b>		<b>14,732</b>
	<b>Sources of funding</b>	
(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)
<b>(12,647)</b>		<b>(14,732)</b>
<b>0</b>	<b>Balance unfunded at 31 March</b>	

\* REFCUS is created when expenditure has been incurred on items that are not capitalised as assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.000m for 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)		(1,963)
0	Less Pooled (Paid to Central Government)	0
<b>(3,239)</b>	<b>Total</b>	<b>(1,963)</b>

#### 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
<b>2,165</b>	<b>Total Rent Arrears</b>	<b>2,087</b>
(280)	Prepayments @ 31 March	(726)
<b>1,885</b>	<b>Net Rent Arrears</b>	<b>1,361</b>

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
	<b>HRA Income &amp; Expenditure Statement</b>	
2,268	Current Service Cost	952
0	Past Service Costs	0
462	Net interest expense	73
<b>2,730</b>	<b>Total</b>	<b>1,025</b>
(1,931)	Amount to be met from HRA	(1,676)
<b>799</b>	<b>Movement on Pension Reserve</b>	<b>(651)</b>

# 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
<b>INCOME</b>					
(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)	
<b>(90,602)</b>		<b>(53,095)</b>	<b>(34,999)</b>	<b>(88,094)</b>	
<b>EXPENDITURE</b>					
Precepts:					
7,360	- City of Lincoln Council	7,556	-	7,556	
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	-	3,763	3,763	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
<b>79,347</b>		<b>52,545</b>	<b>36,605</b>	<b>89,150</b>	
<b>(11,255)</b>	<b>Deficit / (Surplus) for the year</b>	<b>(550)</b>	<b>1,606</b>	<b>1,056</b>	
<b>COLLECTION FUND BALANCE</b>					
10,285	Balance brought forward at 1 <sup>st</sup> April	831	(1,801)	(970)	
(11,255)	Deficit/(Surplus) for the year (as above)	(550)	1,606	1,056	
<b>(970)</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>281</b>	<b>(195)</b>	<b>86</b>	
<b>Allocated to:</b>					
(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)	
<b>(970)</b>		<b>281</b>	<b>(195)</b>	<b>86</b>	

## NOTES TO THE COLLECTION FUND

### Note 1 - General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For the City of Lincoln, the Council Tax precepting bodies are Lincolnshire County Council (LCC) and the Police and Crime Commissioner for Lincolnshire (PCCL).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the City. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. For 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 21<sup>st</sup> February 2022 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	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
<b>Total</b>		<b>43,513</b>	<b>33,161</b>	<b>25,636</b>
Deduction for Non-Collection				(449)
Crown Properties Adjustment				62
<b>Tax Base for the Calculation of Council Tax</b>				<b>25,249</b>

Dwellings for residents entitled to 'disabled relief reduction' are reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those who reside in Band 'A' properties.

Income received from Council Taxpayers in 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 31<sup>st</sup> 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)
<b>10,147</b>	<b>Total</b>	<b>(778)</b>

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

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# 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 14<sup>th</sup> May 2024):

**Date:**



Angela Andrews, Chief Executive:

**Date:**

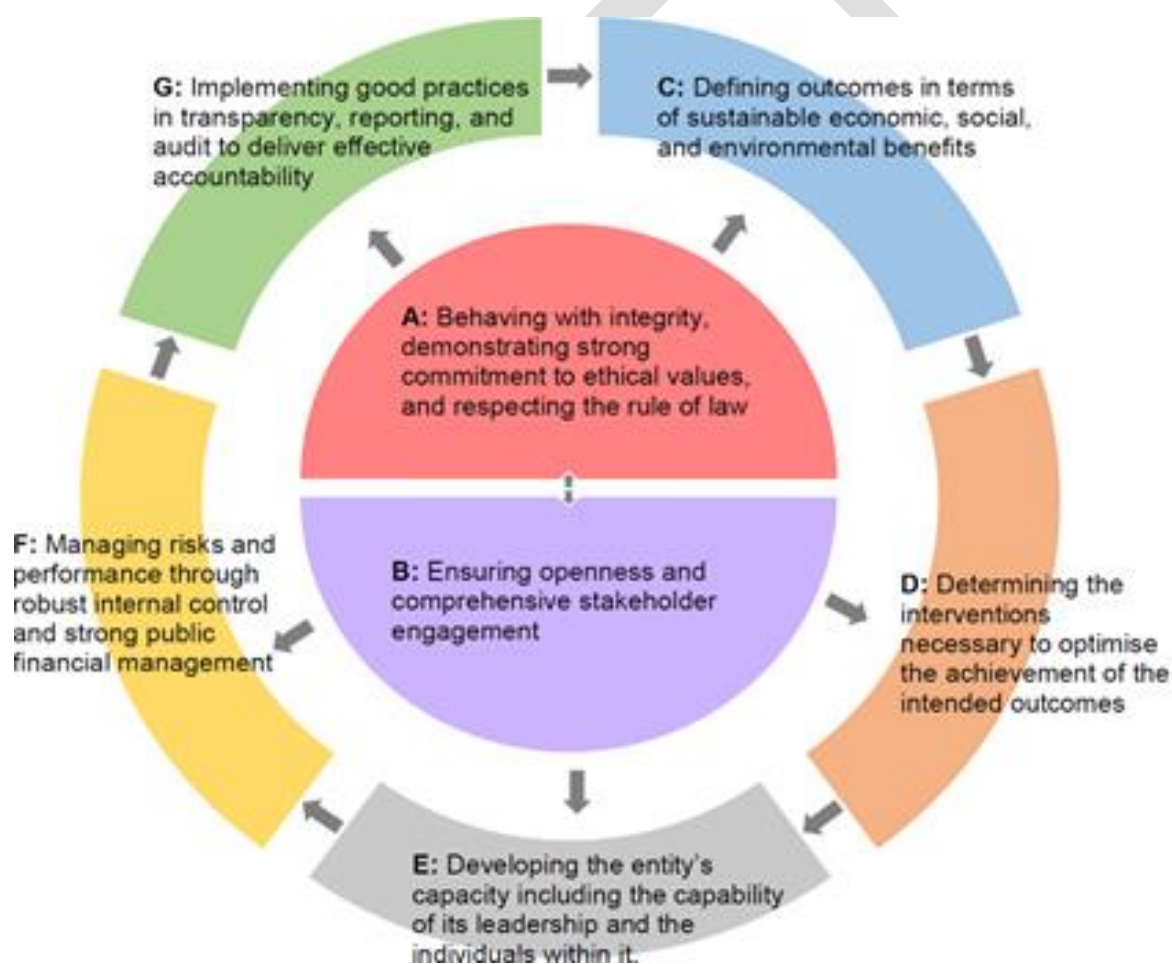


## Part 1: Our Governance Framework

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.

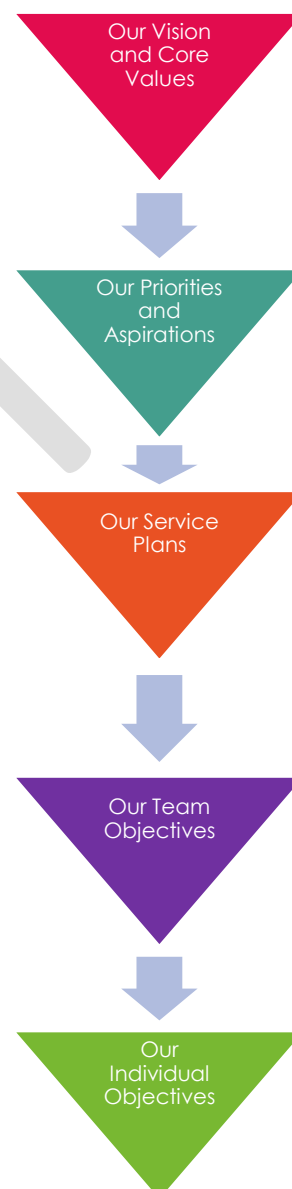
### Scrutiny and audit committees

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	<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>
 Some development or areas for improvement	<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>
 Key development or many areas for improvement	<p>Significant challenges have been identified which may impact the effectiveness of elements of 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"> <li>We undertook a scheduled annual update of our Code of Corporate Governance</li> <li>We continued to monitor our compliance with the Subsidy Control Act 2022 as projects commence</li> <li>We continued to review our compliance with the Elections Act 2022 as the commencement orders came into place</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Our Constitution is regularly updated to ensure it remains fit for purpose and meets the needs of the city and its residents</li> <li>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.</li> <li>We recruited a new Legal Services Manager in 2023/24</li> <li>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.</li> </ul>	<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"> <li>Finalised the review of our Consultation and Engagement staff guidance</li> <li>Completed a review of the Citizens Panel, and recruit new Panel members in a way that reflects the current makeup of the City</li> <li>Created a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community</li> <li>Explored further options for engaging with stakeholders on budget consultations</li> <li>Continued to develop more permanent and usable feedback systems for services.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>We will continue to develop more permanent and usable feedback systems for our services</li> <li>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)</li> <li>We intend to further develop our approach to engagement on our budget and strategic planning processes, including how we consult on Vision 2030.</li> </ul>	


## 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"> <li>• Further progressed implementation of Phases 1a and development of 1b of Western Growth Corridor</li> <li>• Progressed further the implementation of the place strategy for Park Ward/Sincil Bank</li> <li>• Finalised our 30-year Housing Revenue Account Business Plan for the period 2023 – 2053</li> <li>• Completed our detailed analysis of 2021 Census data to support robust, evidence-based decision making</li> <li>• Reviewed our progress and achievements against Vision 2025, in preparation for development of Vision 2030</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Our 'Vision Boards' regularly review progress of objectives derived from our strategic priorities, ensuring our corporate Vision stays relevant and on track.</li> <li>• All Executive Members provide an annual report to Performance Scrutiny Committee and Council on progress against their portfolios</li> <li>• Our annual Lincoln City Profile helps us to demonstrate we understand our city's demographics</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Embed the Lincoln City Profile into our scrutiny processes, to support improved decision making based on our city's makeup.</li> </ul>	


## 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"> <li>Adopted a new IT Disaster Recovery Plan</li> <li>Undertook a further review of our business continuity plans, in order that they may be aligned with the new IT Disaster Recovery Plan.</li> <li>Reviewed the Council's Risk Management Strategy and provided refresher training to Members and officers</li> <li>Updated our Business Continuity Policy and Strategy</li> <li>Refreshed our Business Continuity Plans for critical services.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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..</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Review the LPMM to ensure it continues to support effective project governance</li> <li>Complete a new five year ICT Strategy that will replace our current strategy</li> <li>Review our existing ICT Disaster Recovery Plan in light of the forthcoming ICT Strategy</li> <li>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.</li> <li>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.</li> <li>Develop a corporate Business Transformation Plan</li> </ul>	


What we achieved in 2023/24	What's currently working well	Where we can improve	Overall assessment
		<ul style="list-style-type: none"> <li>Test our business continuity systems through desktop exercises throughout 2024</li> </ul>	



## 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"> <li>Continued to build on employee retention and professional training opportunities for our employees</li> <li>Reviewed the Council's Our People Strategy</li> <li>Continued implementing our Organisational Development Action Plan, including a needs and skills gap analysis</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Partnership working extends capacity for key projects to be delivered beyond the Council's own resources and is embedded within our Vision 2025 objectives.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	

## 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"> <li>Commenced a review of our Contract Procedure Rules upon enactment of the Procurement Act</li> <li>Undertook a benchmarking exercise to review our treasury management strategy and prudential indicators reporting against best practice</li> <li>Introduced quarterly reporting of our treasury management activities</li> <li>Implemented the majority of actions within our agreed action plan to ensure compliance with the CIPFA Financial Management Code</li> <li>Updated Audit Committee Terms of Reference following latest CIPFA guidance</li> <li>Reviewed effectiveness of the Audit Committee, with an action plan to enable regular monitoring through the Committee</li> <li>Completed a review of the effectiveness of our internal audit arrangements</li> <li>Refreshed our Risk Management Strategy (also referenced in Core Principle D)</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Recent inclusion of DMD performance measures in quarterly performance reporting, to assess delivery of growth objectives and track progress of major developments/regeneration.</li> <li>The strategic risk register is updated, scrutinised and reported quarterly, and directorate risk registers are regularly reviewed and updated to reflect changing conditions.</li> <li>Accounts have been externally audited, providing external assurance of the council's financial position and confirmation that internal controls are effective</li> <li>Internal controls are in place to ensure all corporate strategies, policies and other key documents are reviewed regularly</li> <li>Comprehensive and targeted 'Towards Financial Sustainability' programme in place, to ensure the council's</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Streamline collection and presentation of performance management information, to further improve our capacity for analysis to drive performance improvement</li> <li>Update the Lincoln Performance Management Framework, to reflect current LGA best practice and emerging advice from Oflog</li> <li>Publish our Productivity Plan, and refresh our Value for Money Statement</li> <li>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.</li> <li>Complete remaining actions within CIPFA FM financial assessment, and consider options</li> </ul>	

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"> <li>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.</li> </ul>	to undertake an external financial resilience assessment.	

## 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"> <li>Improved our performance management process through introduction of documented measure control, sign off/authorisation processes and consistency of reporting across all directorates</li> <li>Incorporated performance measures for the Major Developments Directorate</li> <li>Initial review of the Lincoln Performance management Framework</li> <li>Completed a review of the effectiveness of the Audit Committee, and created an action plan for regular monitoring through the Committee</li> <li>Completed a review of the effectiveness of Internal Audit, with an action plan for regular monitoring through the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Actions arising from the AGS are monitored by the Audit Committee, and progress reported.</li> <li>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</li> <li>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.</li> <li>Good internal mechanisms for capturing and reporting information required to be published by the Local Government Transparency Code 2015.</li> <li>Effective management and oversight of all aspects of the Lincoln Community Lottery, including auditing of registered good causes</li> <li>Positive and proactive approach to the scrutiny, with strong Member engagement in the process. This includes quarterly scrutiny of financial and treasury management.</li> <li>Robust approach to assurance mapping, led by the Head of Internal Audit</li> <li>Regular reporting of corporate complaints data</li> </ul>	<ul style="list-style-type: none"> <li>Update the Lincoln Performance Management Framework and how this can best support Vision 2030</li> </ul>	



## 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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**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.

**AUDIT COMMITTEE**

**10 DECEMBER 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 39 Medium actions remaining to be implemented. There are no High and one Medium overdue risk actions. There are five actions for Limited or Low reports which have had their implementation dates extended this time, all for the IT Asset Management report. 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 July including the new actions agreed.

2.2 There are four reports where the actions have now all been implemented, Housing Allocations, DeWint Court, Housing Repairs and Staff Recruitment and Retention.

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 Audit Committee are asked to review and comment on the attached 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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# Audit Agreed Action Implementation Report

**City of Lincoln Council**  
**December 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.

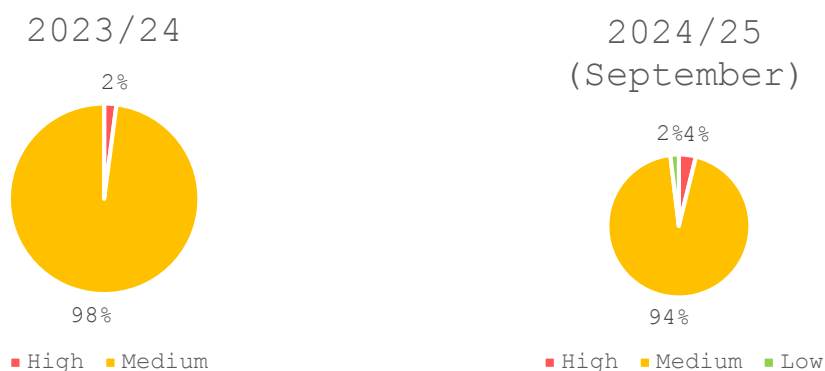
There is a protocol in place (See Appendix 1) which sets out the roles and responsibilities for all in the follow-up process.

## 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:

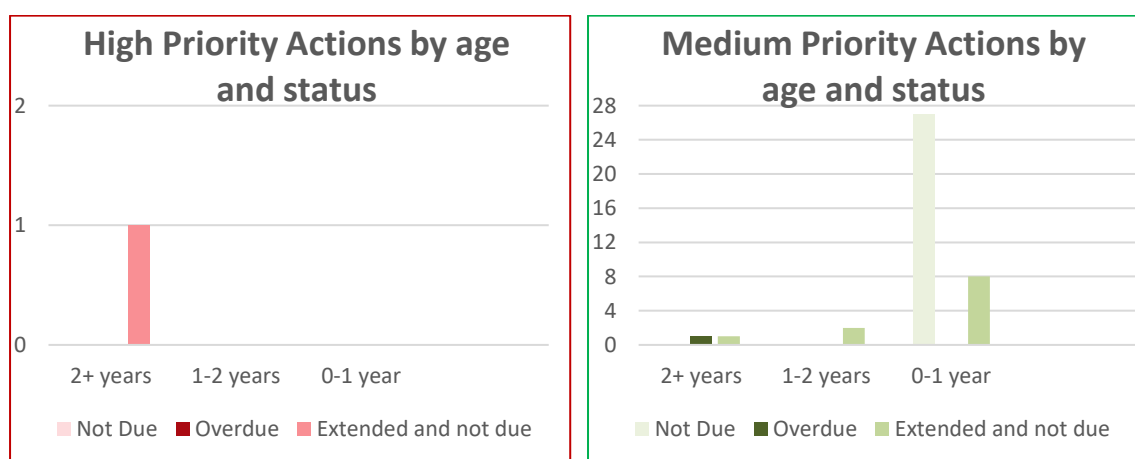


The current implementation rates for reports issued in the year are include below. The rates for 2024/25 will fluctuate up and down as reports are issued.

2023/24	2024/25
88%	39%

There are 3 agreed actions from reports issued prior to 2023/24 which have not yet been implemented. One is overdue and two have been extended and are not yet due.

In total there are 40 actions remaining to be implemented. These are split in age according to when the reports were issued and current status as follows:-



There was one Low risk action agreed which is not yet due and another which was not agreed.



## Progress

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

There were four reports, Housing Allocations, DeWint Court, Housing Repairs and Staff Recruitment and Retention, where all of the agreed actions have now been implemented. 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		
Homeless - ness	Aug 20	Substantial	0	2	1	1	0	0	
Office 365	May 21	Substantial	0	6	5	0	1	0	
Performance Management	Aug 22	Limited	3	1	3	0	1 (H)	0	
IT Disaster Recovery	May 23	Substantial	0	3	2	0	1	0	
Creditors	Oct 23	Substantial	0	1	0	0	1	0	
Insurance	Feb 24	Substantial	0	4	0	0	0	4	
Cyber Security	Mar 24	Substantial	0	5	0	0	2	3	
Contract Management	May 24	Limited	2	19	14	0	0	7 (M)	
IT Asset Management	May 24	Limited	0	11	2	0	5	4	
VAT/Taxation	Jul 24	High	0	1	0	0	0	1	New
Governance Health Check	Jul 24	Substantial	0	5	0	0	0	5	New
Online Services	Aug 24	Substantial	0	3	1	0	1	1	New
Risk Management	Oct 24	Substantial	0	2	0	0	0	2	New
		<b>Total</b>	<b>5</b>	<b>63</b>	<b>28</b>	<b>1</b>	<b>12</b>	<b>27</b>	

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	Oct 24 - The snagging following the upgrade has not been able to be completed due to resource issues within the Housing Solutions Team. Further discussions have taken place as part of a review of the allocations process. It is expected that a resolution will be decided and be implemented by March 2025. Final extension approved by Director.
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.	Extended and not yet due 2+ years	31/03/2022	31/07/2025	Oct 24 - Reports have been sent to many service areas to review and to manage the storage of information. A reporting system will be provided to ADs and SMs, to show progress. Good progress is being made but this is a large-scale piece of work that will take some time to complete and draws on resources from within teams as well as ICT. Some automation of deletion is also being implemented in some systems which is helping with progress. Extension agreed by Chief Executive.



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
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 2+ years	31/03/2023	31/12/2024	Oct 24 - Good progress made and is on track for completion by revised deadline.
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	30/09/2025	Oct 24 - An exercise in 2024 on widescale power outage which covered elements of ITDR although not sole focus. IT/Cyber is in place for 2025. Extension agreed by Chief Executive.
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.	Extended and not yet due 1-2 years	30/09/2024	31/03/2025	Oct 24 - A revised deadline of 31/03/2025 was requested to take account of capacity issues within the team. Extension agreed by Chief Executive.
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





Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
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
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
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	Extended and not due 0-1 year	31/07/2024	31/12/2024	Oct 24 - Assistant Director now receives invites to the IG Working Group and quarterly updates will be provided.



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
							Mechanism is in place, first update is expected by end 2024. Extension agreed by Chief Executive.
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
Cyber Security	May-24	Medium	3.1 – Incident log to be updated and will be discussed at IG quarterly meetings.	Extended and not due 0-1 year	31/07/2024	31/12/2024	Oct 24 - Assistant Director now receives invites to the IG Working Group and quarterly updates will be provided.  Mechanism is in place, first update is expected by end 2024. Extension agreed by Chief Executive.
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	Oct 24 - Implementation of the Procurement Act 2023 has been delayed. It will now come into force 24th February 2025 and not the 28th October 2024. However, this will not affect the revision of CPR's - consultation with Senior Officers/CMT/relevant committees has already commenced.

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
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	As above.
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	As above.
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	As above.
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	As above.
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	As above.
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	As above.

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
IT Asset Management	May-24	Medium	2.1 a) Complete the review of all mobile devices, their current use and number of unsupported devices.	Extended and not due 0-1 year	31/05/2024	31/12/2024	Oct 24 - Progress has been made with this alongside reviewing the new mobile phone contract. This should be finalised by end 2024 in line with the related actions below. Extension approved by Chief Executive.
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	Extended and not due 0-1 year	31/07/2024	31/12/2024	Oct 24 - Some progress has been made with this and is being finalised. Expected completion by end 2024 in line with related actions. Extension approved by Chief Executive.
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

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
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.	Extended and not due 0-1 year	30/09/2024	31/03/2025	Oct 24 - Extension requested to 31.03.25 for final review of policy to link with possible connections with digital exclusion action plan and benchmarking with neighbouring authorities policies. Extension approved by Chief Executive.
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.	Extended and not due 0-1 year	30/09/2024	31/03/2025	Oct 24 - Extension requested to 31.03.25 for final review of policy to link with possible connections with digital exclusion action plan and benchmarking with neighbouring authorities policies. Extension approved by Chief Executive.
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.	Extended and not due 0-1 year	31/07/2024	31/03/2025	Oct 24 - This has been delayed slightly as in partnership with other organisations in Lincolnshire, we are reviewing digital exclusion support. Through the Good Things Foundation there are opportunities to safely, and in a compliant way, re-use redundant IT hardware - having a benefit for both residents who are digitally excluded and, on the environment,

Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
							and climate ambitions. Extension approved by Chief Executive.
VAT / Taxation	Jul-24	Medium	Procedures and operational guidance notes to be updated and shared with relevant members of the Financial Services team. VAT guidance for budget holders to be included in refresh of budget holder manual and training planned for 2024/25.	Not due 0-1 year	31/05/2025	31/05/2025	Not due
Governance Health Check	Jul -24	Medium	1.1 Develop a new internal and external Communications Strategy for the Council in line with the Vision 2030 preparations.	Not due 0-1 year	30/04/2025	30/04/2025	Oct 24 - Good progress made and is on track for completion by deadline.
Governance Health Check	Jul -24	Medium	2.1 Agree to have in place annual meetings for Ethics & Engagement Committee, of which member training is a standing item – so that this committee takes some ownership of the training that members are attending/or should be attending.	Not due 0-1 year	31/10/2024	31/10/2024	Oct 24 - This has been added to the agenda for Ethics and Engagement Committee on 8 January 2025 and will form part of the annual agenda for this meeting in the month of January.
Governance Health Check	Jul -24	Medium	3.1 To compile and continually monitor and review a central record of training provided to each member (and linked to the above), for Ethics & Engagement Committee to assume this monitoring role.	Not due 0-1 year	31/10/2024	31/10/2024	Oct 24 - This will be presented to Ethics and Engagement Committee annually at its January meeting along with the training item as a standing item. We already maintain spreadsheets on attendance, and these are reviewed by political groups periodically as part of their group whip role.



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Governance Health Check	Jul -24	Medium	4.1 To undertake the scrutiny self assessment toolkit as provided by CIPFA, to assess whether the scrutiny function is fit for purpose and whether any improvements can be made.	Not due 0-1 year	31/10/2024	31/10/2024	Oct 24 - This will be completed annually to feed into the scrutiny annual report. This will commence in 2025 as the annual report looking back at 2023 is already well underway so will inform the report looking back at 2024.
Governance Health Check	Jul -24	Medium	4.2 To update the constitution as above, to update the position with regards Select Scrutiny Committee and reports to Council.	Not due 0-1 year	31/10/2024	31/10/2024	Oct 24 - These amendments will be picked up in the next round of amendments to the Constitution.
Online Services (Digital)	Aug-24	Medium	1.1 Accepted. Penetrative testing is being arranged, and we are expecting this to be completed by the end of September 2024. The testing will be done by a third party across all relevant areas that require it.	Extended and not due 0-1 year	30/09/2024	31/12/2024	Oct 24 - Penetration Tests scheduled for November - December across a number of areas. Extension approved by Chief Executive.
Online Services (Digital)	Aug-24	Medium	2.1 Accepted. As LCC host our corporate website as a 'galaxy' site on their web infrastructure, I am in contact with LCC to clarify their DR arrangements. It is my understanding that these are in place, however LCC procured the contract off a framework and I know DR is an optional extra on that CCS contract type. I'm currently awaiting confirmation from them that this is in place and will forward additional information to Audit as it becomes available.	Not due 0-1 year	30/12/2024	30/12/2024	Not due



Audit	Report Date	Priority	Agreed Action	Current status	Original Due Date	Current Due Date	Resolution Comments
Risk Management	Oct-24	Medium	Business Management Team Leader to attend each Directorate DMT and ensure Directorate Risk Registers are fully completed.  Guidance Note to be provided to DMT's and Business Management Team setting out requirements.	Not due 0-1 year	30/11/2024	30/11/2024	Not due
Risk Management	Oct-24	Medium	Business Management Team Leader to attend each Directorate DMT and ensure Directorate Risk Registers are fully completed.  Guidance Note to be provided to DMT's and Business Management Team setting out requirements.	Not due 0-1 year	30/11/2024	30/11/2024	Not due



**AUDIT COMMITTEE**

**10 DECEMBER 2024**

**SUBJECT: SIX MONTHLY FRAUD AND ERROR REPORT**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

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

**1. Purpose of Report**

- 1.1 This report informs Committee of performance against the 2024/25 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations carried out to date.

**2. Background**

- 2.1 The responsibility for fraud prevention, monitoring and reporting is spread throughout the Council with Internal Audit collating the data and reporting to Committee.
- 2.2 The attached report summarises the activity which has taken place during the last six months including both proactive and reactive responses.

**3. Six Monthly Update**

- 3.1 The Audit Committee receive a six-monthly Fraud and Error update report (Counter Fraud Report). This is linked to its terms of reference covering monitoring of the Counter Fraud Strategy and contributes to the overall governance arrangements of the authority and the annual governance statement.
- 3.2 The report summarises the number of cases so far for 2024/25.
- 3.3 Progress made against completing the actions within the Counter Fraud Action Plan is detailed within the report. There are nine items on the plan for 2024/25, five of which are not due until quarter four. Work is in progress or has been completed for those due.
- 3.4 Whistleblowing/Confidential reporting referrals have slightly increased from five to eight for the same period. Allegations have also changed with an increase in Environmental Health related referrals. Action has been taken in all of these cases, five have been cleared with no issues, one has been referred to the DWP and the other two remain under review.
- 3.5 The 2022 National Fraud Initiative has been drawn to a close with 35 errors being identified and estimated savings/overpayments totalling just over £67,000. The first set of datasets for the 2024 review have been submitted.
- 3.6 There have not been any frauds identified in other areas of the Council.

#### **4. Organisational Impacts**

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

There are no direct financial implications.

##### **4.2 Legal Implications including Procurement Rules**

There are no direct legal implications.

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

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

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

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

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

#### **5. Recommendation**

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

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	One
<b>List of Background Papers:</b>	None

**Lead Officer:**

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



# Counter Fraud 2024/25 Six Monthly Update Report

**City of Lincoln Council**



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# 1. Introduction

1.1 The City Council has a number of Fraud related policies in place including the Counter Fraud and Anti-Corruption Policy Statement and Strategy which was updated in April 2024.

1.2 The City Council takes a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources.

## **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*

1.3 The Internal Audit Team are responsible for supporting and facilitating the Council's Counter Fraud processes including the development of policies and procedures. Advice and support is provided through an agreement with Lincolnshire County Council.

1.4 The aim of the Team is to promote fraud awareness and assist management to identify and mitigate fraud related risks. This is done through the promotion of fraud cases and scams on the Internal Hub, facilitation of the fraud risk register, provision of training and general advice. The Team also cover fraud as part of audit assignments and undertake investigative work when required.

1.5 Individual service areas are responsible for ensuring that they have adequate arrangements in place for the prevention, detection and investigation of fraud with any incidences being reported to Internal Audit. There is a fraud strategy in place which covers the response required where a potential fraud is identified.

1.6 All fraud related activity is reported through to the Corporate Management Team and the Audit Committee at least twice a year.

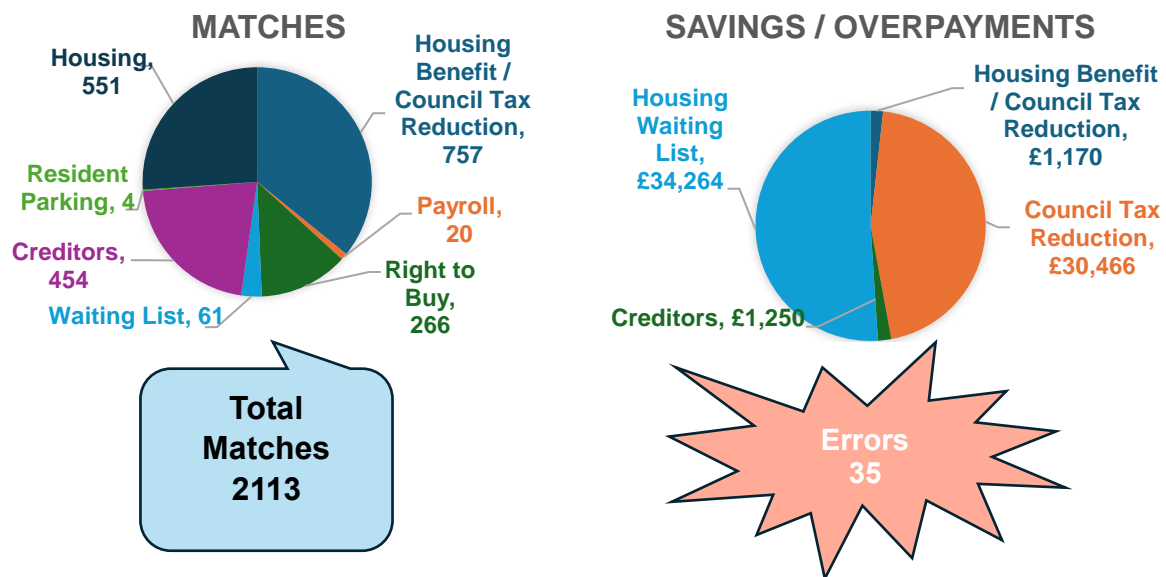
## 2. Fraud Response

- 2.1 The actions which the City Council undertakes in the prevention of fraud are set out within the Counter Fraud and Anti-Corruption Policy Statement and Strategy. There is an action plan in place which sets out the other activities which the City Council is aiming to achieve this year. This is included within Appendix 1.
- 2.2 A self assessment has not recently been completed due to the capacity within the team. This is due to be completed before the end of February 2025 and will be used to inform the revised Action plan for 2025/26.
- 2.3 Training on the identification and prevention of fraud has been provided to Members. Attendance at the event was low so consideration is being given as to whether a further session is required and the cost of this. The slides from the session have been circulated.
- 2.4 The session raised a number of questions concerning what action is taken to identify fraud within the City Council, particularly the national issues around dual employments, falsification of claims and remote working. The City Council has not identified any of these issues. Currently there is reliance on individual services carrying out their own counter fraud measures as there is limited capacity within the Internal Audit Team to carry out the level of independent checking which larger Councils, such as Lincolnshire County Council, do. However the audit key control process is being reviewed and consideration is being given to whether the revised process could incorporate some of the fraud related testing.
- 2.5 The highest rated fraud risk identified for the Council continues to be IT and Data which includes online fraud also known as cyber-crime. This is included within the Strategic Risk Register as a Red risk. The Council is continually vigilant in responding to the ongoing and increasing Cyber threat, but there is a constant threat ranging from opportunists to organised crime, which look to exploit security vulnerabilities and potential fraud arising from security breaches. An audit of Cyber Security in 2023/24 provided a substantial opinion.



### 3. NFI

- 3.1 The Council continues to be engaged with the National Fraud Initiative (NFI) which is a mandatory biannual exercise involving national data matching using a range of Council data sources including payroll, benefits, creditors, electoral role, housing and licences.
- 3.2 The Internal Audit Manager acts as the main point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative.
- 3.3 The last exercise commenced in 2022 and produced the following results:-



- 3.4 The overpayments are those calculated once the errors have been rectified, most of these are recoverable. The Cabinet Office has estimated the value of savings which will be made once the errors to the Housing waiting list have been corrected.
- 3.5 The next review is currently taking place with the datasets being submitted to the Cabinet Office in October and November. The results reports will be received in January 2025.



## 4. Update on Activity Undertaken

### 4.1 Housing Benefit / Council Tax Support

For the first 6 months of 2024/25, the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 3. There continues to be a low number of referrals made to SFIS due to the reduction in the HB caseload as well as the Council undertaking 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 so far year.

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

An SPD review commenced at the end of August with 2,890 letters being sent out. So far 1,848 have responded and as a result 84 discounts have been removed. For the remaining 1,042 they will be reminded and if there is no response the discount will be removed from 31 March 2024.

Planning is currently underway on how the bulk review will be completed next year. Discussions around using an external company for the reviews so far have not found any added value. When individual cases arise these are checked as thoroughly as possible using visits, Experian searches, Land Registry and any other information which the Council is able to access.

### 4.3 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, with the next review being 2025/26. 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.

### 4.4 Housing Tenancy

Tenancy services have not taken any fraud action or legal action for sub-letting during the current financial year to date. The tenant census audit has covered 774 properties so far and has not found anything to indicate possible fraud or sub-letting. The audit was paused in July due to changes to the staffing





structure and following the recruitment of extra temporary Housing Officers they will recommence shortly.

There has also not been any fraud suspected, identified or investigated for Right to Buy during the current financial year to date. There are a number of processes in place to detect fraud including checking signatures, checking Council Tax and the Electoral register for residency, ensuring applicants aren't registered as being bankrupt and also checking the discount period. The property valuer and Housing Officer also flag anything of concern when they visit the property.

#### 4.5 Payroll and Human Resources

There have not been any frauds identified within payroll and Human Resources so far this year. Checks on changes to bank details for staff continue to be 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.

Right to work Checks are undertaken with all new starters. In addition Departmental Admin teams undertake checks of employees driving licences when the employee is using their own car for business use.

#### 4.6 Finance

There has been no fraudulent activity identified within the sales or purchase ledgers so far this year. The Council continues to be made aware of any issues reported elsewhere.

There have been five cases of potentially fraudulent payments being made through the online payment system for the payment of Council Tax. The card holders disputed the payments with their provider and the money has been returned to them through the payment system.

#### 4.7 Elections

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

#### 4.8 Information Technology

There have been no recorded events which have resulted in fraud arising from a Cyber attack. 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:-

- There is an ICT disaster recovery policy in place which includes action cards for known incidents such as ransomware, phishing, and malware.

- 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 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.

#### 4.8 Other fraud / fraud attempts

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

## 5. Whistleblowing / Confidential Reporting

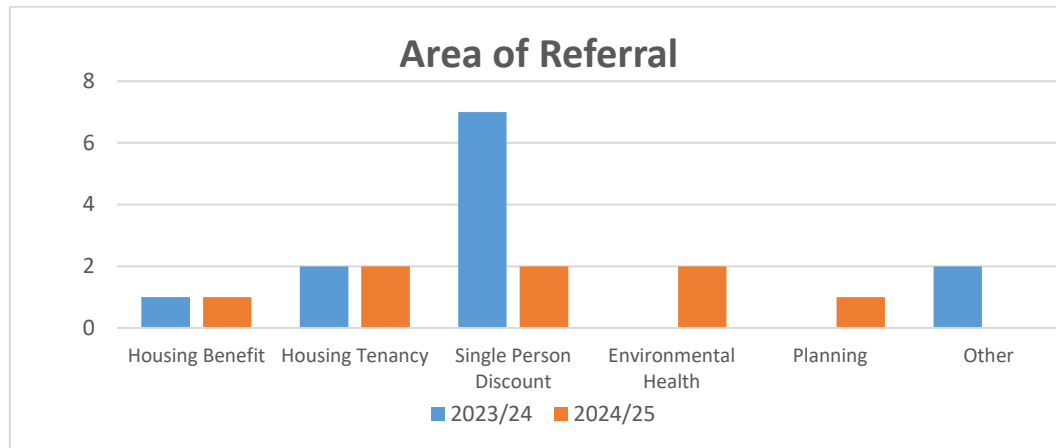
### 5.1 The Public Interest Disclosure Act 1998 (PIDA) defines a whistleblower as;

*“An identifiable person who works in or for an organisation disclosing an honest and reasonable concern relating to one or more of the below:*

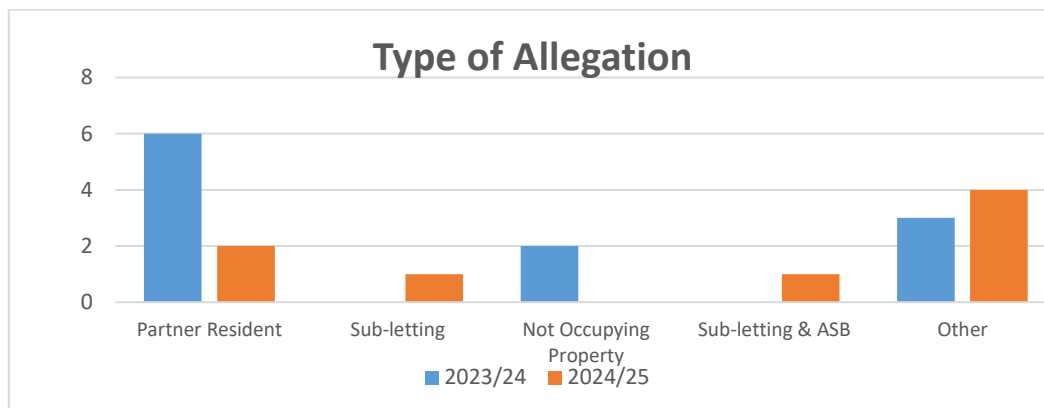
- commission of a criminal offence
- failure to comply with a legal obligation
- a miscarriage of justice
- danger to the health and safety of any individual
- damage to the environment
- the deliberate concealment of information falling within any of these categories.”

### 5.2 In addition to whistleblowing referrals we also receive other confidential referrals through the Lincolnshire County Council Whistleblowing line and directly which do not meet the PIDA criteria but still require investigation. These were previously included within the whistleblowing referrals figures but they will now be reported separately.

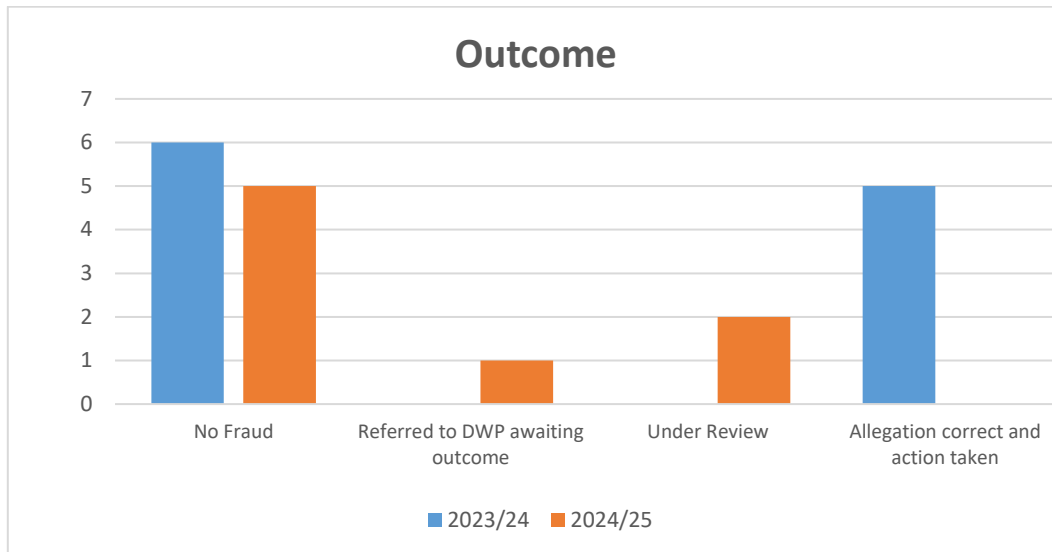
### 5.3 During the first half of the year no Whistleblowing referrals and 8 confidential reports have been received. The number of referrals compared to this time in 2023/24 has increased slightly from 5 to 8 with an increase in those related to Environmental Health (private tenancies) and Planning, but these numbers are low. These are analysed below against the full year figures for 2023/24:-



- 5.4 There has been a move away from allegations of partner resident towards more varying allegations for things such as non-declaration of savings, planning breach, and properties not being fit for habitation. The split between allegation type is shown below:-



- 5.5 Every allegation is investigated by the appropriate team and the outcomes from these investigations are shown below. So far there have not been any where the allegation necessitated further action. There are 2 cases which are still being investigated.



## 6. Policies and Strategies Updated

- 6.1 There are a number of fraud related policies and strategies in place which are reviewed on a periodic basis by the owner.
- 6.2 Since April 2024 Internal Audit have reviewed and updated the Whistleblowing Policy, Counter Fraud and Anti-Corruption Policy Statement and Strategy and the NFI Policy. All of which have been presented to the Corporate Management Team and the Audit Committee. The review of the Money Laundering Policy is due for March 2025.

## 7. Other Matters of Interest

- 7.1 The following includes a summary of matters that will be of particular interest to Audit Committee members.

- 7.2  Council accountant stole almost £1m to fund gambling addiction

An ex-finance officer at the Council was jailed for five years in October 2023 after being found guilty of transferring £934,343.30 into his own bank accounts between 2003 and 2022. The Senior Assistant Accountant was responsible for the Council's creditors system where he could generate invoices and make payments to suppliers. He used his knowledge of the system and the Council to bypass the systems designed to prevent fraud without it being flagged as suspicious. A colleague discovered the fraud when discrepancies were found within the system. After an internal investigation he was dismissed from his position at the Council. The link to the Police article is as follows:

<https://www.nottinghamshire.police.uk/news/nottinghamshire/news/news/2024/october/council-accountant-stole-almost-1m-to-fund-gambling-addiction/>

### 7.3 Cifas (Credit Industry Fraud Avoidance System) recently published their 2024 Fraudscape 6 monthly update

The report analyses data and intelligence received from Cifas members, the National Fraud Database (NFD), the Insider Threat Database (ITD), law enforcement and other partners.

The number of cases filed to the NFD between January and June was 214,882 which is an increase of 15% from the same period last year. Identity fraud remains the most commonly reported at 59% of cases with account takeover (using existing accounts to obtain high value products or services) moving into second place at 18% of cases. There has also been a large increase in the number of false applications where individuals provide false information, up by 22% and now makes up 5% of the cases. This has been possible due to the wide availability of false documents which can be purchased from seemingly legitimate websites.

Whilst cases filed to the ITD declined by 15% employee fraud remains a threat particularly due to remote working and reduced supervision. The leading case types are dishonest action by staff 43% and false employment applications 41%. Dishonest action includes abuse of time/privileges, working multiple roles and theft of cash from employer or customer. False employment applications are making use of the availability of false references supporting experience, training and previous employment. Full report is available using this link <https://www.fraudscape.co.uk>.

### 7.4 Quarterly Fraud report

The County Council provide the City Council with a quarterly report as part of the Fraud services purchased from them. The following is a summary of the areas highlighted as potential risks nationally.

#### **Employee Fraud**

The 2024 National Fraud Conference highlighted an emerging risk regarding dual employment fraud. This is where an individual fraudulently works for multiple organisations during the same working hours. This has emerged following the introduction of working from home and hybrid working. There has been a huge rise in multiple job fraud where employees sign up for one full-time role but then take on a second or even a third full-time job but fail to mention this to their employers.

The shift to remote working arrangements has created new opportunities for fraud, such as time theft and misuse of council resources. Councils should implement and monitor robust remote work policies, use technology to monitor productivity, and conduct regular check-ins with employees. Ensuring secure

access to council systems and data through VPNs and encryption is also crucial.

Continual areas of concerns for councils include; procurement cards, conflict of interest, and mileage/ expense claims.

### **Environmental**

As councils invest in environmental and climate change initiatives, there is a risk of fraud in areas such as carbon trading, green energy projects, and environmental grants. Councils should ensure rigorous project oversight, transparent reporting, and regular audits. Establishing clear criteria for funding and outcomes, and monitoring progress closely can help mitigate these risks.



## Appendix 1

### Action Plan

The following sets out the progress made against items included on the Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
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	Requests have been sent out and updating the records as they are returned. Reminders are being sent out to those not responded.
4	Fraud Training for Members	Q2	Internal Audit Manager/Lincolns hire County Council	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. Face-to-face training provided for Members in Oct 2024.
5	Single Person Discount Rolling Review	Q2	Revenues and Benefits Manager	Discussions held over the potential to engage an external company but can't identify any added value in this.
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.	Training has been arranged by the Cabinet Office and staff booked on. NFI Policy has been amended to include responsibilities.
9	Revise/update the tenancy fraud policy, strategy and action plan.	Q4	Assistant Director - Housing	

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**AUDIT COMMITTEE**

**10 DECEMBER 2024**

<b>SUBJECT:</b>	<b>NATIONAL FRAUD INITIATIVE POLICY</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER</b>

**1. Purpose of Report**

- 1.1 To update the National Fraud Initiative (NFI) policy.

**2. Background**

- 2.1 The Council's NFI policy is part of range of counter fraud policies and is reviewed every two years prior to the commencement of the bi-annual exercise.
- 2.2 The NFI is an exercise carried out every two years by the Cabinet Office. It matches electronic data within and between public and private sector bodies to prevent and detect fraud. It is an exercise which the Council is required to participate in.
- 2.3 The Council provides a number of sets of data through the NFI portal in October and November and receives the results reports from the Cabinet Office in the following January.
- 2.4 The exercise involves input from a number of services within the Council with Internal Audit carrying out the administrative and support role.

**3. Policy and Guidance**

- 3.1 The Council's current NFI policy has been updated to include paragraph numbering and some rewording and reformatting. The paragraph on Process has been expanded to include more detail and another paragraph on Responsibilities has been added.
- 3.2 A copy of the policy is attached at Appendix A with the changes marked.

**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

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

## **5. Recommendation**

5.1 Audit Committee are asked to approve the updated policy.

.

**Is this a key decision?** No

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

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

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

**List of Background Papers:** None

**Lead Officer:** Amanda Stanislawski, Audit Manager  
Email: [amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk)

**National Fraud Initiative –  
Policy/Guidance  
October 2024  
Version 3.0**

### Document Control

Organisation	City of Lincoln Council
Title	NFI Policy and Guidance
Author	Amanda Stanislawski Audit Manager
Owner/Responsible Officer	Chief Finance Officer
Consultation	Data Protection Officer, Audit Committee
Version	3.0
Next Review Date	October 2026

Review Arrangements: Every two years

### Document Amendment History

Revision	Originator	Date	Description
1.0	John Scott	October 2020	New Document
2.0	Amanda Stanislawski	October 2022	Updated for 2022 Data Sets and changed fair processing notice for privacy notice. Formatting to match other policies.
3.0	Amanda Stanislawski	October 2024	Updated for the 2024 data sets and amended the links to the most recent. Changed the fair processing notice to the most recent. Added in more information on process and responsibility. Changed the format of the Document Control tables to match other policies.

## National Fraud Initiative

### 1. Exercise

- 1.1 The National Fraud Initiative (NFI) is an exercise carried out every two years by the Cabinet Office. It matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 1.2 The data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify any inconsistencies that need further investigation.
- 1.3 The Cabinet Office requires us to take part in the NFI exercise. The data is used with statutory authority under its powers set out in Part 6 of the Local Audit and Accountability Act 2014. This does not need the consent of the individuals concerned under the ~~Data Protection Act~~ data protection legislation including but not limited to the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018).
- 1.4 Data matching by the Cabinet Office is subject to a [Code of Data Matching Practice](#). The Cabinet Office have a privacy notice in place setting out the data used, the purpose, processing, recipients and retention of the data. This is included as Appendix 1.
- 1.5 We must provide particular sets of [data](#) to the Cabinet Office. This includes personal data for all employees and elected members held in our payroll system.
- 1.6 We are also required to submit personal data of clients and customers administered by us in relation to:
  - Housing Benefits – Provided by the DWP
  - Council Tax Reduction Scheme
  - Council Tax
  - Housing Tenants
  - Housing Right To Buy
  - Housing Waiting Lists
  - Trade Creditors' Payment History and Trade Creditors' Standing Data
  - Residents Parking Passes
  - Electoral Register
  - Taxi Driver Licenses
- 1.7 The Council has privacy notices in place which include 'sharing data to prevent and detect fraud'. These can be found on the [Councils website](#) along with

further information on Data Protection, your rights relating to your data or if you have a query or complaint regarding the way we have handled your data.

- 1.8 The exercise helps to promote the best use of public funds. Previous exercises have uncovered some underpayments as well as overpayments resulting in increased payments/entitlements. Sometimes wrong payments are made because of genuine error rather than being deliberate.
- 1.9 Further details can be found on [the Government Website](#) or by contacting the Audit Manager on 01522 873321

## 2. Process

- 2.1 We upload data to the Cabinet Office via a secure website. Only authorised personnel have access to the website. It is password protected and all data is encrypted during transmission with files being password protected as well.
- 2.2 Once the data has been matched, reports are produced of the matches and saved onto the secure NFI website by the Cabinet Office. Access to the website is controlled by the Key Contacts and limited to only those who will be involved in processing the matches. Access is automatically suppressed after 90 days if it has not been used.
- 2.3 The matches are reviewed and a decision made as to which ones will be investigated. The matches are then investigated by appropriate officers within the Council and the results recorded on the NFI website. Progress on investigating the matches is monitored internally by Internal Audit and also externally by the Cabinet Office. The results and progress is fed back to the Corporate Management Team and the Audit Committee through the six monthly fraud reports. Progress and results on specific areas are also reported through the relevant Departmental Management Team meetings.

## 3. Responsibilities

- 3.1 The table below sets out the responsibilities for the NFI:-

Role	Responsibilities	Post / Officer
Senior Responsible Officer	Ultimately responsible for the NFI. Has to authorise setting up of the Key Contact(s)	Chief Executive / Angela Andrews
Key Contact	Co-ordinates the NFI process including sharing requirements, ensuring datasets are uploaded and matches are reviewed. Responds to Cabinet Office queries and requirements in respect of the NFI. Manages user access to the	Audit Manager / Amanda Stanislawski

	website, provides advice and signposting for services.	
<b>Administration</b>	Allocate responsibility for uploading the datasets and investigating the matches. Decide priorities including which matches will be investigated and ensure that deadlines are adhered to. Responsible for ensuring that matches are investigated and results are entered promptly onto the website. At the end of the process reviewing the results and identifying any learning arising from them.	Directors/Assistant Directors/Service Managers

View further information on the Cabinet Office's legal powers and how it protects the data the reasons why it matches particular information — see Appendix 1 below.

For further information on data matching at this authority contact Amanda Stanislawski, Audit Manager, City of Lincoln Council: 01522 873321 [amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk).

## Appendix 1

### Statutory Guidance [NFI Privacy Notice](#) – March 2024

This notice sets out how the Cabinet Office will use your personal data, and your data rights. It is made under Article 14 of the UK General Data Protection Regulation (GDPR).

#### Your data

#### The data

We process information that you provide when making a claim or applying for:

- pension
- taxi driver licence
- market trader licence - voluntary
- personal alcohol licence - voluntary
- social housing (current tenants and individuals on a housing waiting list)
- Right to Buy (completed and in progress)
- transport pass and permit
- Council Tax Reduction Scheme
- Council Tax Single Person Discount
- Universal Credit
- Housing Benefit
- other state benefits
- COVID-19 financial support
- help with NHS health costs

In addition to the above we also process information in relation to:

- payment of an invoice from an organisation that takes part in the NFI. This is referred to as trade creditor standing and payment history data.
- payment for employment from an organisation that takes part in the NFI. This is referred to as payroll data.
- registering to vote. This is referred to as Electoral Register data.
- business rates.
- A grant operated by a local authority. This is referred to as the Landlord Incentive Scheme
- Protection of deposits paid by home renters. This is referred to as the Deposit Protection Service.
- Properties advertised and let for short periods. This is referred to as Short term rental of housing data



Data specifications setting out exactly what data we process in the above areas can be found on the [National Fraud Initiative: public sector data specifications page](#)

## **Criminal convictions**

Should data matching through the NFI result in a prosecution, then this may also be recorded by participating organisations. This information is for recording outcomes purposes only and the data won't be shared further.

## **Special categories of personal information (Article 9 of UK GDPR & Chapter 2 Section 10 of the DPA 2018).**

Included in the above are certain special categories of personal information:

Housing and other benefit and student loan data includes an indicator of physical or mental health or condition. This disability flag, which does not identify the specific condition, is required as disability has an impact upon a student's entitlement to claim housing benefit.

We collect information on blue badge holders (and applicants). While we do not hold information on the medical condition that entitles the individual to a badge we do know who has a badge.

## **Purpose**

The purposes for which we are processing your personal data are:

The Cabinet Office conducts data matching exercises to assist in the prevention and detection of fraud. This is one of the ways in which the Minister for the Cabinet Office takes responsibility within government for public sector efficiency and reform.

The NFI also conducts regular data sharing and analytics pilots to evaluate and improve data matching methodology. In this way the NFI can continue to help detect and prevent fraud in the most efficient and effective way possible.

## **Automated profiling**

Your personal data will be subject to the following automated profiling (as defined in Article 4, paragraph 4 UK GDPR):

Data matching involves comparing sets of data, such as the payroll or benefits records of a body, against other records held by the same or another body to see how far they match. The data is usually personal information. The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

The processing of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under its powers in Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under data protection legislation or the UK GDPR.

All bodies participating in the Cabinet Office's data matching exercises receive a report of matches that they should investigate, so as to detect instances of fraud, over or under payments and other errors, to take remedial action and update their records accordingly.

## **Legal basis of processing**

The legal basis for processing your personal data is that processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the data controller (Article 6(1)(e) UK GDPR). The National Fraud Initiative is conducted using the data matching powers bestowed on the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014 (LAAA).

Under the LAAA legislation:

1. The Cabinet Office may carry out data matching exercises for the purpose of assisting in the prevention and detection of fraud.
2. The Cabinet Office may require certain bodies (as set out in the Act) to provide data for data matching exercises
3. Bodies may participate in its data matching exercises on a voluntary basis where the Cabinet Office considers it appropriate. Where they do so, the Act states that there is no breach of confidentiality and generally removes other restrictions in providing the data to the Cabinet Office. The requirements of the data protection legislation, however, continue to apply, so data cannot be voluntarily provided if to do so would be a breach of data protection legislation. In addition, sharing of patient data on a voluntary basis is prohibited.
4. The Cabinet Office may disclose the results of data matching exercises where this assists in the prevention and detection of fraud, including disclosure to bodies that have provided the data and to auditors that it appoints as well as in pursuance of a duty under an enactment.
5. The Cabinet Office may disclose both data provided for data matching and the results of data matching to the Auditor General for Wales, the Comptroller and Auditor General for Northern Ireland, the Auditor General for Scotland, the Accounts Commission for Scotland and Audit Scotland, for the purposes of preventing and detecting fraud.
6. Wrongful disclosure of data obtained for the purposes of data matching by any person is a criminal offence. A person found guilty of the offence is liable on summary conviction to a fine not exceeding level 5 on the standard scale.

7. The Cabinet Office may charge a fee to a body participating in a data matching exercise and must set a scale of fees for bodies required to participate.
8. The Cabinet Office must prepare and publish a [Code of Practice](#). All bodies conducting or participating in its data matching exercises, including the Cabinet Office itself, must have regard to the Code.
9. The Cabinet Office may report publicly on its data matching activities.

Special category data is personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation. The legal basis for processing your special category personal data is:

processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department; the exercise of a function conferred on a person by an enactment (paragraph 6, schedule 1, Data Protection Act 2018)

The Cabinet Office conducts data matching exercises to assist in the prevention and detection of fraud. The processing of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under its powers in Part 6 of the Local Audit and Accountability Act 2014.

Our legal basis for processing your criminal convictions data is paragraphs 6 and 10 of [schedule 1 to the Data Protection Act 2018](#)

## Recipients

Your personal data will be shared by us as necessary for the purposes of preventing and detecting fraud with:

- The Auditor General for Wales
- The Comptroller and Auditor General for Northern Ireland
- The Auditor General for Scotland
- The Accounts Commission for Scotland
- Audit Scotland

And with mandatory participants who include:

- district and county councils
- London and metropolitan boroughs
- unitary authorities
- combined authorities

- police authorities
- fire and rescue authorities
- pension authorities
- NHS Trusts
- Foundation Trusts
- Integrated Care Boards
- passenger transport authorities
- passenger transport executives
- waste authorities
- Greater London Authority and its functional bodies

In addition, the following bodies provide data to the NFI for matching on a voluntary basis:

- private sector pension schemes (various)
- Metropolitan Police – Operation Amberhill
- Special health authorities
- housing associations and other social housing providers
- probation authorities
- national park authorities
- central government pensions schemes
- Insurance Fraud Bureau
- central government departments
- Social Security Scotland
- Synectics Solutions Limited SIRA
- LexisNexis Risk Solutions Ltd
- AirBnB
- Tenancy Deposit Protection Scheme
- Credit reference agencies
- other private organisations/companies

We will share records containing personal data with HMRC. These will be matched against HMRC records and additional HMRC information appended and fed back to the NFI. The HMRC matching will seek to identify persons at the address provided and relevant income-related information. Data matching services are then provided to the NFI by the Department for Work and Pensions, and by our IT Supplier using only UK Data Centres.

We also share NFI data with Synectics Solutions Limited SIRA and LexisNexis Risk Solutions Ltd for them to use in their anti-fraud data matching services. Where your personal data is used for these purposes, Synectics Solutions Ltd and LexisNexis Risk Solutions Ltd are the responsible data controllers. Their privacy notices are available [here](#):

<https://risk.lexisnexis.com/corporate/data-privacy>

<https://www.synectics-solutions.com/privacy-policy>

## **The data that is matched and the reasons for matching it is for fraud prevention and detection:**

For information summarising the various match types for each particular type of participating organisation and the purpose of the matching please refer to the document [NFI match types per participating body](#). We also provide the following services:

### **ReCheck**

ReCheck is a flexible data matching service which complements the national exercise. This service allows NFI participant bodies to re-perform existing data matching, at a time that suits them, by uploading their organisation's datasets for internal matching.

### **AppCheck**

NFI participants can use this service at the point of application to check against NFI data to help verify people's identity or if they have left out relevant information that might affect their entitlement to a benefit, service or employment.

### **FraudHub**

Allows NFI participant bodies, who want to work together, to regularly and effectively screen their collective data in order to prevent errors in processing payments and to reduce fraud.

### **Retention**

Your personal data will be kept by us for the periods set out in our [Data Deletion Schedule](#).

## **Where personal data has not been obtained from you**

Your personal data was obtained by us from:

Mandatory participants:

- district and county councils
- London and metropolitan boroughs
- unitary authorities
- Combined Authorities
- police authorities

- fire and rescue authorities
- pension authorities
- NHS Trusts
- Foundation Trusts
- Integrated Care Boards
- passenger transport authorities
- passenger transport executives
- waste authorities
- Greater London Authority and its functional bodies

Voluntary participants may include:

- private sector pension schemes (various)
- Metropolitan Police – Operation Amberhill
- special health authorities
- housing associations and other social housing providers
- probation authorities
- national park authorities
- central government pensions schemes
- Insurance Fraud Bureau
- other central government departments
- Social Security Scotland
- Synectics Solutions Limited SIRA
- LexisNexis Risk Solutions Ltd
- AirBnB
- Tenancy Deposit Protection Scheme
- Credit reference agencies
- other private organisations/companies

## Your rights

You have the right to:

- request information about how your personal data is processed, and to request a copy of that personal data
- request that any inaccuracies in your personal data is rectified without delay
- request that any incomplete personal data is completed, including by means of a supplementary statement
- request that your personal data is erased if there is no longer a justification for it to be processed.

- in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted
- Object to the processing of your personal data

## Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Telephone: 0303 123 1113

Email: [icocasework@ico.org.uk](mailto:icocasework@ico.org.uk)

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

## Contact details

The data controller for your personal data is the Cabinet Office. The contact details for the data controller is:

Email: [nfiqueries@cabinetoffice.gov.uk](mailto:nfiqueries@cabinetoffice.gov.uk)

The contact details for the Data Protection Officer (DPO) of the data controller are:

Email: [dpo@cabinetoffice.gov.uk](mailto:dpo@cabinetoffice.gov.uk)

The Data Protection Officer provides independent advice and monitoring of Cabinet Office's use of personal information.

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**AUDIT COMMITTEE****10 DECEMBER 2024**

<b>SUBJECT:</b>	<b>AUDIT COMMITTEE WORK PROGRAMME 2024/25</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER</b>

**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 reported 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.
- 3.2 Since last reporting to this Committee, the following changes have been made to the work programme (as shown in red/italics in Appendix B):
- External Audit: Audit Completion Report (IAS 260) 2023/24 - added to the December meeting, this was an omission from the original work programme

- Procurement Act 2023/Contract Procedure Rules (CPR's) – added to the December meeting following announcement of new legislation and a subsequent review of the CPR's.

3.3 A copy of the Audit Committee's Terms of Reference is attached at Appendix A.

#### **4. Learning and Development**

- 4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.
- 4.2 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, were sent a questionnaire/survey to assess their individual skills and knowledge in relation to the functions of the Committee. The results of this self-assessment informed a training a development plan which was presented to this Committee in September 2024.
- 4.4 Specific briefing sessions for the Audit Committee are shown included on the Work Programme at Appendix B, although there is also an emphasis on independently led training i.e. the LGA E-learning modules, LGA publications, CIPFA Audit Committee Updates. The CIPFA Audit Committee Updates are usually included in the Internal Audit Progress Reports as and when CIPFA publish them, however as no Progress Report is due at this Committee, the latest CIPFA Update is attached at Appendix C.
- 4.5 There has been one change to the planned training sessions, the Audit Committee Effectiveness session that was scheduled ahead of this Committee meeting has been deferred until a new date in January/February 2025. This new session will be expanded to provide Members an update on the new Global Internal Audit Standards (GIAS) and their implications for the Council. This session will be delivered online.

## **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 2024/25.**

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	Three
<b>List of Background Papers:</b>	None

**Lead Officer:**

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

## 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**

<b>Meeting dates</b>	<b>Audit Items – Revised Agenda</b>	<b>Training (Subject to the development of a new training plan)</b>
4 <sup>th</sup> June 2024	<ul style="list-style-type: none"> <li>• Meeting cancelled due to General Election</li> </ul>	
15 <sup>th</sup> July 2024	<ul style="list-style-type: none"> <li>• Information Governance Update</li> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Annual Internal Audit Report</li> <li>• Annual Fraud &amp; Error Report</li> <li>• Counter Fraud Policy and Strategy</li> <li>• Annual Governance Statement (Draft)</li> <li>• Addressing the Audit Backlog in England</li> <li>• Statement of Accounts 2023/24 (Draft)</li> <li>• External Audit – Progress Report</li> <li>• Risk Management Annual Update</li> <li>• Audit Committee Work Programme</li> </ul>	Local Government Financial Statements
10 <sup>th</sup> Sept 2024 (Provisional)	<ul style="list-style-type: none"> <li>• Provisional meeting to receive Audit Completion report - not required.</li> </ul>	
23 <sup>rd</sup> Sept 2024	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Learning and Development Plan for Audit Committee Members</li> <li>• Internal Audit Revised Audit Plan</li> <li>• Whistleblowing Policy and Guidance</li> <li>• Review of Effectiveness Committee Progress Report</li> <li>• Addressing the Local Audit Backlog in England</li> <li>• External Audit – Progress Report</li> <li>• Audit Committee Work Programme</li> </ul>	

## APPENDIX B

10 <sup>th</sup> Dec 2024	<ul style="list-style-type: none"> <li>• <b>Procurement Act 2023/Contract Procedure Rules</b></li> <li>• Annual Complaints Report</li> <li>• Annual Governance Statement – Progress Report</li> <li>• External Audit – Annual Auditor's Report 2023/24</li> <li>• <b>External Audit – Audit Completion Report (IAS260) 2023/24</b></li> <li>• Statement of Accounts 2023/24 (Final)</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Six Month Fraud &amp; Error Report</li> <li>• NFI Policy</li> <li>• Information Governance update</li> <li>• Audit Committee Work Programme</li> </ul>	<del>Audit Committee Effectiveness</del>
Jan/Feb 25		Audit Committee Effectives and new GIAS (online session)
4 <sup>th</sup> Feb 25	<ul style="list-style-type: none"> <li>• Internal Audit progress Report</li> <li>• Treasury management Policy and Strategy</li> <li>• Audit Committee Work Programme</li> </ul>	Treasury Management
25 <sup>th</sup> Mar 25	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Internal Audit Strategy and Plan 25/26</li> <li>• External Audit – Audit Strategy Memorandum 24/25</li> <li>• Statement on Accounting Policies</li> <li>• IAS19 – Assumptions</li> <li>• External Audit Inquiries</li> <li>• Partnership Governance</li> <li>• CIPFA Financial Management Code</li> <li>• Money Laundering Policy and Procedure</li> <li>• Audit Committee Work Programme</li> </ul>	

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

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# Audit Committee Update

Helping audit committees to be effective

Issue 40  
November 2024

Oversight and support of internal audit – the role of the audit committee

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## Introduction

Dear audit committee member,

Welcome to the latest issue of Audit Committee Update from the [CIPFA Better Governance Forum](#). This resource aims to support audit committee members in their role by helping to keep them up to date.

In this issue, we consider the forthcoming changes to the internal audit standards and consider how that will impact on audit committee members. CIPFA will be issuing more updates and resources over the next few months. Ask your head of internal audit for the latest position.

There is also a summary of resources and links to help audit committee members in their work.

I hope you will find this issue interesting, and helpful in your work on the committee.

Best wishes,

**Diana Melville**

CIPFA Better Governance Forum

## Sharing this document

Please circulate this briefing widely to your organisation's audit committee members and colleagues. It can also be placed on an intranet.

Audit Committee Update is covered by CIPFA's copyright and so should not be published on the internet without CIPFA's permission. This includes the public agendas of audit committees.

This issue is open to all, but other issues of Audit Committee Update are restricted to the organisations that subscribe to the Better Governance Forum.

## Receive our briefings directly

A link to this briefing will be included in the CIPFA Better Governance Forum subscribers' newsletter. It can then be shared with that organisation's audit committee members.

If you have an organisational email address (for example, [jsmith@mycouncil.gov.uk](mailto:jsmith@mycouncil.gov.uk)), then you will also be able to register on our website and download any of our guides and briefings directly. To register, please visit [cipfa.org/register](https://cipfa.org/register).

# Internal audit standards

## Changes impacting on your internal audit service

This article will help audit committee members understand the changes to internal audit standards and the transition your team will be making.

### What's changing and when?

From 1 April 2025 internal audit teams in the public sector will be working to new internal audit standards. These will be a combination of the [Global Internal Audit Standards](#) (GIAS) and the [Application Note, Global Internal Audit Standards in the UK Public Sector](#). The consultation on the Application Note closed at the end of October, and it is anticipated that the final version will be published before the end of the year.

### How significant a change is this?

It is a significant change that will mean your internal audit team must update their charter and audit manual to reflect the new standards. They will also need to provide training to team members. They will need to review their working practices to make sure they comply with the standards or have an action plan to achieve that conformance.

While much of the day-to-day practice of undertaking audit engagements will not change, the team will need to make sure those engagements fulfil the new standards. Reports, plans and charters will need to be updated to reflect the standards.

### Do the standards expect more from the team?

An internal audit team that fully conforms with the current standards (the Public Sector Internal Audit Standards or PSIAS) should have most of the practices it needs. There are some additional requirements, and the Application Note should help with those. But time will still be needed to make the transition and build familiarity. The introduction of new standards is an opportunity to look ahead to see what both the team and the organisation need.

### Examples of changes:

- One of the new requirements is a 'mandate' for internal audit (Standard 6.1). However in local government, internal audit's primary mandate comes from statutory regulations issued by the national governments. Most internal audit charters already refer to this mandate in their charters. With some changes, an up-to-date mandate and charter can be agreed.
- GIAS Standard 9.2 requires an internal audit strategy. This is new, but the service should be able to build on the existing requirement in PSIAS (2010 Planning) for a strategic statement of how the service will be delivered and developed.
- The standards on ethics and professionalism have been expanded including new sections on professional courage and professional scepticism. This will require training for the team.
- Internal audit plans (Standard 9.4) should support the achievement of the organisation's objectives. Many teams already demonstrate that link.

Each head of internal audit should be able to update the audit committee on the specific work they need to undertake.

## How can the audit committee know if the internal audit service conforms with the new standards?

The standards come in on 1 April 2025 and the first evidence of their use is likely to be the update of the charter, including the mandate, the audit strategy and plan. Each of these will be brought to the audit committee for agreement.

As the 2025/26 year progresses the service will gradually be able to evidence their conformance with standards:

- Engagements will be completed and reported to the client in accordance with the standards.
- Updates to the audit committee will include not only issues arising from engagements, but other matters required by the standards, such as significant changes to audit plans.
- Progress updates on the transition.
- At the end of 2025/26, when the head of internal audit completes their annual conclusion and report, they should be able to assess whether they are fully conforming with the standards and identify any improvement areas.

It is important to realise that no internal audit team will be fully in conformance with the standards on 1 April 2025/26. Until audits are completed and the outcomes reported, the evidence of practical conformance will not be there. Your head of internal audit should be able to update you on progress.

## Will the service need to go through a new external quality assessment?

The standards continue to require an external quality assessment (EQA) at least once every five years. You don't need to amend your cycle, so if the service had an EQA two years ago, then the next will be due in three years' time.

If the EQA is due in 2025, then this will present some practical problems. Until engagements are completed and reports made to the audit committee etc, the evidence of conformance will not be there, even though methodologies may be in place. The assessment will be more relevant at the end of the year.

If you buy in internal audit services or use an audit partnership rather than have an in-house team, then a different approach to the EQA will be needed. The standards require the EQA to consider all aspects of internal audit, including its governance. An internal audit provider's EQA will need to be specific to each client, or each client will need to commission their own EQA. As the standards are implemented EQA providers will amend their approach.

## Does the audit committee need to change?

Possibly.

To achieve conformance with the standards the organisation will need to demonstrate that all aspects of the standards are met, including the governance of internal audit. This covers the oversight and support for internal audit from the audit committee and senior management.

To assist local government bodies achieve conformance, CIPFA will be introducing a new [Code of Practice on the Governance of Internal Audit in Local Government](#) (the Code). This is currently out for consultation until 28 November. The Code draws on existing CIPFA guidance for audit committees and support for the head of internal audit in public sector organisations and aligns these with the expectations that are set out in the GIAS. Further

details on how the Code aligns are in [Comparison of Code to existing guidance](#). CIPFA welcomes comments from audit committee members on the consultation.

If your audit committee is currently working to CIPFA's recommended practice for audit committees in local government, then the provisions of the Code should be achievable. The terms of reference of the committee should be updated to make this clear.

If you have new members on the committee, or you are not sure about your responsibilities towards internal audit, then training or briefings will help. When you prepare your annual report for the committee, or conduct an effectiveness review or self-assessment, the committee should reflect on how well it fulfils the Code and whether actions are needed to support internal audit more.

After the Code is finalised, CIPFA will provide a separate briefing for audit committee members.

### Some suggested questions for audit committee members

The following questions will help you understand how the changes to internal audit standards affects your internal audit service:

1. What steps are being taken to prepare the internal audit service for the implementation of new standards?
2. Does the service have the support it needs from the organisation to make the transition?
3. Does the head of internal audit have any concerns about achieving conformance?  
If so, how are these being addressed?
4. What can the audit committee do to support internal audit with the transition?
5. When will the committee next review its own effectiveness, including its role regarding internal audit?

### Further reading

CIPFA's guidance to audit committees is supported by the Ministry of Housing, Communities and Local Government (MHCLG), the Home Office and the Welsh Government.

[Position statement: audit committees in local authorities and police 2022](#)

Free download

[Audit committees: practical guidance for local authorities and police \(2022 edition\)](#)

The guidance includes a handbook for audit committee members. It is a digital edition and can be shared multiple times within the organisation. Ask your head of internal audit or head of finance to arrange this for you.

## Recent developments and resources

### Financial reporting and audit in local authorities (England)

Audit committees in English authorities will be aware of new regulations to enforce a backstop date for the completion of outstanding audit reports.

CIPFA has issued [Bulletin 18 Local audit backlog in England](#) to explain what this means for local authority audits.

A further set of FAQs to support audit committee members will be issued shortly.

### Local government finance workforce action plan

CIPFA collaborated with the Local Government Association (LGA) to examine the key workforce challenges facing the finance profession, including internal audit, in English councils. The report makes recommendations for action at a local regional and national level: [Local government finance workforce action plan for England \(2024\)](#).

### Balancing local government budgets in Scotland

A research report from the LGIU and CIPFA to examine how chief finance officers in Scotland are addressing the financial challenges and the actions available to balance budgets: [Balancing Local Government Budgets in Scotland \(2024\)](#).

### Guidance for audit committees on cloud services

A resource from the National Audit Office for audit committees explaining cloud services. It provides some questions for audit committees to ask management on strategy, implementation and management of cloud services: [Guidance for audit committees on cloud services](#) (2024)

### Making public money work harder

Insight from National Audit Office work, including evidence of what works as well as root causes of failure. A helpful resource for considering value for money in areas such as asset management, procurement, reducing fraud and error and making best use of data: [Making public money work harder \(2024\)](#)

## Accessing training and networking opportunities

CIPFA would encourage audit committee members to access any available training and networking opportunities. Regional forums for audit committee chairs have been established with assistance from the LGA and Welsh Local Government Association (WLGA), and each of these is running a programme of meetings and training events. CIPFA has been happy to speak at a number of these sessions already, and we will support where we can.

CIPFA's training webinars are listed below, and in-house training delivered locally or by webinar is also available.

## Webinars and training for audit committee members from CIPFA

### Introduction to the knowledge and skills of the audit committee

The role and responsibilities of the audit committee and key aspects of the terms of reference.

### Introduction to the knowledge and skills of the police audit committee

The role and responsibilities of the audit committee and key aspects of the terms of reference.

### Understanding local authority accounts for councillors

A webinar to support the review of the financial statements.

### Update for police audit committee members

This webinar is suitable for members of the joint audit committees supporting police and crime commissioners (PCCs) and chief constables.

### Update for local authority audit committee members

Full programme details and booking information for webinars will be [available on the CIPFA website](#). Webinars are usually published about eight weeks in advance, but enquiries can be sent to [customerservices@cipfa.org](mailto:customerservices@cipfa.org) at any time.

## In-house training for your audit committee

In-house training, webinars and guidance tailored to your needs are available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- Internal Audit Standards and the governance of internal audit (Code)
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements
- improving impact and effectiveness.

## Assessing the effectiveness of the audit committee

We can also undertake an effectiveness review of the committee, providing feedback on areas the committee can improve on and supporting the development of an action plan.

For further information, email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or visit the CIPFA website for [further details on our support for audit committees](#).

## Previous issues of Audit Committee Update

Subscribing organisations can download all the previous issues from the [CIPFA Better Governance Forum](#) website. Click on the links below to find what you need.

Principal content	Link
<b>Please note the content from some earlier issues has been replaced by more recent issues and so they are not listed below.</b>	
<b>Issues from 2012</b>	
Commissioning, procurement and contracting risks	<a href="#">Issue 8</a>
Reviewing assurance over value for money	<a href="#">Issue 9</a>
<b>Issues from 2015</b>	
What makes a good audit committee chair?	<a href="#">Issue 16</a>
The audit committee role in reviewing the financial statements	<a href="#">Issue 17</a>
<b>Issues from 2016</b>	
Delivering good governance in local government: framework (2016), appointing local auditors	<a href="#">Issue 19</a>
CIPFA survey on audit committees (2016)	<a href="#">Issue 20</a>
The audit committee and internal audit quality	<a href="#">Issue 21</a>
<b>Issues from 2017</b>	
Developing an effective annual governance statement	<a href="#">Issue 22</a>
<b>Issues from 2018</b>	
Developing an effective annual governance statement	<a href="#">Issue 25</a>
<b>Issues from 2019</b>	
Focus on local audit, National Audit Office report on local authority governance	<a href="#">Issue 27</a>
The audit committee role in supporting counter fraud and anti-corruption	<a href="#">Issue 28</a>
CIPFA statement on the role of the head of internal audit, external audit arrangements for English local government bodies	<a href="#">Issue 29</a>
<b>Issues from 2020</b>	
CIPFA Financial Management Code, responding to the Redmond Review: results of CIPFA's survey on audit committees	<a href="#">Issue 30</a>
Compendium edition: reviewing the audit plan, self-assessment and improving effectiveness, developing an effective annual governance statement and focus on local audit	<a href="#">Issue 31</a>
The head of internal audit annual opinion for 2020/21, the Redmond Review: issues for English audit committees	<a href="#">Issue 33</a>



<a href="#">Issues from 2021</a>	
The annual governance statement for 2020/21, local auditors and internal audit working together	<a href="#">Issue 34</a>
Supporting improvements to risk management arrangements, defining the relationship between the audit committee and the scrutiny function, new consultation on local audit and audit committee arrangements	<a href="#">Issue 35</a>
<a href="#">Issues from 2022</a>	
New CIPFA guidance on audit committees in local authorities and police, Internal audit: untapped potential	<a href="#">Issue 36</a>
<a href="#">Issues from 2023</a>	
Assessing audit committee effectiveness	<a href="#">Issue 37</a>
Financial risk and the audit committee, the audit committee role in internal audit standards	<a href="#">Issue 38</a>
<a href="#">Issues from 2024</a>	
Assurance and the audit committee	<a href="#">Issue 39</a>



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11/2024

<b>SUBJECT:</b>	<b>INFORMATION GOVERNANCE UPDATE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>SALLY BROOKS, DATA PROTECTION OFFICER (DPO)</b>

## **1. Purpose of Report**

- 1.1. To update Committee on the Council's Information Governance compliance and associated risks.
- 1.2. This includes compliance with the Data Protection Legislation including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).
- 1.3. This report also includes monitoring of the Council's compliance with its legal obligations under the Freedom of Information Act 2000.

## **2. Background of Reporting**

- 2.1. Reports are submitted biannually to Committee and in line with reports submitted to Corporate Leadership Team (IG Board). The last report provided to Committee was 4 June 2024.

## **3. Information Governance (IG) risk register**

- 3.1 Attached at Appendix A (Part B) is the updated Information Governance Risk Register. There are currently no red risks detailed on the register and one risk (risk 5) with declining Assurance.
- 3.2 All risks detailed on the register require continuous actions and monitoring to ensure current Assurance levels are maintained.
- 3.3 The following risks are highlighted for comment in this report:
  - training,
  - policies, and procedures (proposed legislation changes),
  - retention and disposal of personal data,
  - data subject's rights and freedom of information requests.

## **4 Training (risk 1)**

- 4.1 Data protection training is a legal requirement, and the Council renew training annually for the following:
  - low risk staff-receive a basic level of training
  - general staff
  - elected members

- Information Asset Owners (IAO's) (Service Managers) -receive a higher level of training.
- 4.2 New staff and members also receive training on induction.
- 4.3 The Council's current training 'Cyber Ninjas' is accredited by the National Cyber Security Centre (NCSC) and covers data protection and cyber security training. The Council have recently obtained a 'refresh' of the training package due to be deployed in early 2025.
- 4.4 Training compliance rates are good, currently 91% for general staff. The small number of remaining non-completers are being chased through relevant Service Managers and Assistant Directors.
- 4.5 If the Council is required to report a serious data breach to the regulator the Information Commissioner's Office (ICO), it must confirm the staff or member involved has received data protection training in last 2 years. If this cannot be confirmed the Council may be subject to enforcement action.
- 4.6 The Council currently has a comms campaign 'Think before you click'. This includes regular news, posts, video clips and posters displayed around Council offices. These provide staff and members with everyday tips to protect data such as how to identify phishing emails and to reduce the risk of data breaches.

## **5. Policies and Procedures (risk 3) proposed legislation changes**

- 5.1 The former 'Data Protection and Digital Information Bill' (DPDI) which proposed reform of the Data Protection Legislation was dropped following the calling of the General Election in May 2024.
- 5.2 The Data (Use and Access) Bill (DUAB) was introduced on 23 October 2024. The bill contains many provisions from the DPDI and proposes amendments to the DPA 2018 and UK GDPR. Some of the provisions from the DPDI have not remained and other new provisions have been added.
- 5.3 Please see House of Lords briefing note for further information on the bill [Data \(Use and Access\) Bill \[HL\]](#). The Council will need to monitor the progress of the bill and amend its data protection policies and procedures to reflect any changes in legislation.

## **6. Retention and Disposal of Personal Data (risk 5)**

- 6.1 Deletion of personal data beyond its retention period is a legal requirement. The Council has reduced personal data held in physical form (such as paper records) in recent years and now needs to continue to concentrate on its electronic data.
- 6.2 Electronic data held by the Council needs to be analysed, reviewed and deleted where required. In particular before data is migrated to the Cloud. This is key to business efficiency and transformation. This also limits the impact on individuals and the Council in relation to the amount of personal data included in data breaches and cyber-attacks.

- 6.3 IAOs declare retention is being implemented in their areas, in accordance with the Council's retention schedules. This is mainly a manual process, resource intensive and difficult to prioritise. This has resulted in an ongoing decline in Assurance, as more data is retained over time. Increasingly IT systems can automate retention. It is therefore critical retention capability is considered on procurement of new systems and implemented where possible in existing systems.
- 6.4 A detailed analysis of the electronic data the Council holds in each service area has begun as part of the IT migration project. This has commenced with an analysis of data held over 6 years which is being provided to IAO's for review and deletion. Work has also been carried out reviewing and deleting electronic data held in corporate wide drives.
- 6.5 The Council have agreed Microsoft Teams 1-1 Chats will have an automated short retention period. This function has been used by staff as a form of office chat and collaboration following the increase in remote working. Chat regarding customers and partners should be contained in Teams Channels as opposed to 1-1 Chat and therefore this will not be affected.
- 6.6 A retention period of 6 months has been agreed on 1-1 Chat with a 3 month lead up to implementation following this being communicated to staff and members. The 3 months lead up period will allow staff and members time for any data required to be retained, to be moved.

## 7. Data Subject's Rights (risk 8)

- 7.1 Completion rates for Data Protection Act requests (DPAs) are detailed below by quarter since last reported to Committee.

<b>July-Sept 2024</b>	
Total requests received	34
Requests completed in time	<b>97%</b>
<b>April-June 2024</b>	
Total requests received	35
Requests completed in time	<b>91%</b>

- 7.2 DPAs include Subject Access Requests (SARs) from individuals regarding their own personal data and also requests from third parties, requesting personal data such as the Police.
- 7.3 By way of comparison and detailed below see total DPA requests received and completion in time rates previously reported:

<b>Time periods</b>	<b>Total requests received</b>	<b>Percentage completed in time:</b>
Jan-March 2024	23	82%
Oct-Dec 2023	18	94%
July-Sept 2023	28	91%
April-June 2023	32	91%

Jan-March 2023	20	80%
Oct- Dec 2022	25	84%
July -Sept 2022	26	77%

7.4 The above tables (7.2 and 7.3) show completed in time rates have significantly improved over the last 2 years (increase of up to 20%) due to actions the Council have taken including changes in internal procedures for collating data from service areas.

7.5 An online form went live on the Council's website earlier this year for Subject Access Requests. In August this was made more prominent on the Council's 'Apply for it' web page. This has improved accessibility for requesters and the Council's ability to track, respond and report these requests more easily.

## 8. Freedom of Information Requests

8.1 Response rates for requests under the Freedom of Information Act 2000 (FOI) are detailed below by quarter since last reported to Committee.

<b>July-Sept 2024</b>	
Total requests received:	115
Requests completed in time:	<b>83%</b>
<b>April-June 2024</b>	
Total requests received:	181
Requests completed in time:	<b>86%</b>

8.2 By way of comparison, detailed below see total FOI requests received and completion in time rates previously reported:

Time periods	Total requests received	Percentage completed in time:
Jan-March 2024	179	85%
Oct-Dec 2023	206	87%
July-Sept 2023	200	89%
April-June 2023	174	86%
Jan-March 2023	205	89%
Oct- Dec 2022	95	61%
July -Sept 2022	75	54%

8.3 The above tables (8.1 and 8.2) show response rates have significantly improved over the last 2 years (increase of up to 35%) This is due to actions taken by the Council such as officer training. This improvement is despite the number of FOI requests significantly increasing over the last two years and remaining high.

8.4 Further improvements are still required to be considered 'good' by the ICO (95% or more). The aim is improvements will be made from an increased number of trained officers and a planned review of FOI internal processes.

- 8.5 FOI response rates are now published on the Council's website [key FOI statistics](#) to improve transparency and in line with guidance.

## **9. Annual Governance Statement (AGS)**

- 9.1 Information Governance was removed from the AGS but remains closely monitored with reports biannually to IG Board (Corporate Leadership Team), and Audit Committee. It is also monitored by an internal working group incorporating the Senior Information Risk Officer, Data Protection Officer, Audit, Legal, IT Managers and Communications.

## **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 including the IG register (Appendix A) 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

**Lead Officer:** Sally Brooks, Data Protection Officer  
Email: [sally.brooks@lincoln.gov.uk](mailto:sally.brooks@lincoln.gov.uk)



<b>SUBJECT:</b>	<b>EXCLUSION OF THE PRESS &amp; PUBLIC</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE &amp; TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>CAROLYN WHEATER, MONITORING OFFICER</b>

**1. Purpose of Report**

- 1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

**2. Recommendation**

- 2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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