

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020



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An introduction to the City of Lincoln's 2019/20 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 2019/20 and the financial position at 31 March 2020. The Accounts present expenditure and income incurred by the Council in the financial year 2019/20 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 2019/20 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 2020 and its financial prospects.

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

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

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

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

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

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

The Core Financial Statements, comprising:

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

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

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

The Supplementary Statements, comprising:

- **The Housing Revenue Income and Expenditure Statement** - this statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **The Movement on the HRA Statement** – this statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or

deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

- **The Collection Fund Statement** - this statement is an agent's statement that reflects the statutory obligation for billing authorities (such as the City of Lincoln Council) to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from Council Tax and Business Rate payers and distribution to Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (PCCL) and Government of Council Tax and National Non-Domestic Rates (NDR).

Financial Summary 2019/20

The City of Lincoln Council is a high performing an innovative organisation, focussed on providing quality services and delivering outcomes that matter. Our Vision 2020, a 3-year programme of activity through to 2019/20, has helped us to continue to transform both the Council and the City through our strategic priorities.

Over the last decade the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms and have had to adapt to; the impact of severe, unprecedented, central government funding reductions; radical reform of the methodology for funding local government - where councils are self-sufficient; changes in the use and demand for services; as well as escalating costs.

In response to this challenging financial environment the Council has embraced a forward thinking, ambitious and commercial approach in maintaining a sound financial position. We have a strong track record of planning ahead, securing savings in advance, shifting away from traditional cost cutting exercises to more ambitious and forward thinking opportunities, re-investing in more efficient ways of working, adopting a more commercial approach, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks. This is an approach that has served the Council well and allowed us to deliver savings in excess of £8.5m over a ten-year period, a significant reduction in comparison to the overall net expenditure budget.

The Council's successful financial management to date has enabled the protection of core services, whilst at the same time ensuring that resources are directed towards the priority areas in the Council's Vision.

However, the COVID19 pandemic, has had such devastating effect on our lives, families, friends, neighbours, communities and of course on our workplaces. The Council, like all other businesses, has had to make dramatic changes, not only to ensure that we can keep our critical services functioning, but also like councils across the country, to deliver a community leadership role for our city in this time of crisis.

We have created new services to support vulnerable people, taken rough sleepers off the streets and into safe accommodation and ensured key services such as kerbside waste and recycling collections have continued as usual. We have effectively led our communities during the emergency response and are now

leading on supporting our communities as we tackle the social and economic challenges ahead.

Performance

The Council's current Vision 2020 covered the period April 2017 to March 2020. It is a vision for the City shared with key stakeholders and partners, encapsulated in the key vision statement:

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

To celebrate the success of Vision 2020 towards achieving this vision a Celebrating Vision 2020 document was produced, and can be found on the Council's website www.lincoln.gov.uk, this aims to provide a snapshot of some of the key achievements over the life of the plan.

In addition, the Council has produced a review of 2019/20 incorporating its performance indicators for the year along with the initial response to the COVID19. This document sets out in more detail how the Council has performed against its service specific indicators and targets.

Together these two documents provide a summary of how the Council has continued to transform, invest and support the City and its communities as well as continue to deliver the key services that matter the most.

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 2019/20, the approved net expenditure budget for General Fund services was £13,101m. After allowing for planned contributions of £0.554m to non-earmarked general reserves the total Net General Fund Budget for 2019/20 was £13.655m.

The Net General Fund Budget of £14,276m assumed the achievement of £0.695m further savings which were to be delivered in 2019/20 as part of the Council's Towards Financial Sustainability Programme. Although this target was not achieved in full during 2019/20, due to reprofiling of one scheme, the programme still continues to be successful and has now delivered total savings of £4.448m. Work continues in developing and delivering new projects as part of the programme to secure the additional savings required in 2020/21 and future years.

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



	ACTUAL 2019/20 £'000	REVISED BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
Chief Executive and Town Clerk	2,916	2,840	76
Directorate of Housing & Regeneration	709	736	(27)
Directorate of Communities & Environment	229	239	(10)
Directorate of Major Developments	5629	5559	70
Corporate	1,840	1,756	84
Net Operational Expenditure	11,323	11,130	193
Specific Grants	(756)	(778)	22
Savings Target	0	(202)	202
Earmarked Reserves	7	(443)	450
Capital Accounting Adjustment	960	2,994	(2,034)
Contingencies	0	158	(158)
Total Expenditure	11,534	12,859	(1,325)
Contribution To General Balances	1,879	554	1,325
Total Net Budget	13,413	13,413	0
Business Rates -			
Retained Business Rates Income	(16,918)	(16,918)	0
Tariff	12,884	12,884	0
Section 31 grant	(1,552)	(1,552)	0
Levy Payment	462	462	0
Revenue Support Grant	(22)	(22)	0
Council Tax	(6,679)	(6,679)	0
Council Tax Surplus	(42)	(42)	0
NNDR Deficit	(1,546)	(1,546)	0
Total Resources	(13,413)	(13,413)	0

While total expenditure was £13,301m (£2.172m more than budget) this is offset by £1.325m increase in the actual contribution to general balances. The actual contribution to general balances was £1.879m compared to the approved budget of £0.554m.

As at 31 March 2020, the Council held £8.914m General Fund revenue reserves, comprising £6.678m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.236m non-earmarked general reserves. This latter balance represents 16.7% of the 2019/20 annual net service budget and provides an adequate level of reserves to cover unforeseen financial risks. General Balances are currently above the

prudently assessed minimum requirements in the Council's Medium Term Financial Strategy, which will provide additional resilience for the financial effects of COVID19.



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 2019/20, the approved net operating budget for the Housing Revenue Account was a surplus of £0.052m. Actual net expenditure for 2019/20 was £0.029m deficit, resulting in a £81k deficit variance against the budget.

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

	ACTUAL 2019/20 £'000	REVISED BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,671	8,660	11
Supervision & Management	7,451	7,498	(47)
Provisions (including Bad Debt)	285	288	(3)
Capital Financing	(3,035)	6,274	(9,309)
Sub Total	13,372	22,720	(9,348)
<u>Add:</u>			
HRS – repatriation of surplus	(110)	0	(110)
Contribution to/(from) HRS (IAS19 & Insurance Fund)	849	0	849
Interest Payable & Similar Charges	2,424	2,352	72
Total Expenditure	16,535	25,072	(8,537)
<u>Income</u>			
Rents & Service Charges	(28,536)	(28,592)	56
Interest	(77)	(37)	(40)
Net Expenditure	(12,078)	(3,557)	(8,521)
<u>Less:</u>			
Capital Accounting Adjustment	9,691	0	9,691
Appropriation to/(from) Major Repairs Reserves	3,637	4,077	(440)
Appropriation to/(from) Pension Fund Liability	(857)	0	(857)
Appropriations to/(from) Earmarked Reserves	(364)	(572)	208
Net HRA (Surplus)/Deficit	29	(52)	81

As at 31 March 2020, the Council held £2.317m HRA revenue reserves, comprising £1.420m earmarked reserves (to cover identified specific, potential financial risks and liabilities) and £0.997m non-earmarked general reserves.

Capital Expenditure

(Note 39)

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

Capital spending in the year was £22m compared to the revised approved programme budget of £27.4m, representing an underspend of £5.4m against the profiled budget. The variance in 2019/20 is mostly due to the re-profiling of schemes within the general fund and housing programmes. The 2019/20 capital spending and funding position is summarised as follows:

	ACTUAL 2019/20 £'000	BUDGET 2019/20 £'000	VARIANCE 2019/20 £'000
Capital Expenditure			
General Fund	10,057	12,510	(2,453)
Housing Revenue	11,977	14,906	(2,929)
Total Expenditure	22,034	27,416	(5,382)
Financed by:			
Borrowing	11,750	14,060	(2,310)
Capital Receipts	1,534	1,653	(119)
Capital Grants and Contributions	1,758	2,723	(965)
Major Repairs Reserve	6,790	8,368	(1,578)
Revenue Contributions	202	612	(410)
Total Financing	22,034	27,416	(5,382)

Major Capital works carried out during 2019/20 are set out in the following table:

	£'000
Housing	
Decent Homes and improvements to Council dwellings	5,823
Health & Safety	217
Council house schemes	5,157
Other major works to housing stock	780
General Fund	
Purchase of Land and Buildings	6,888
Leisure Centre/Sports Provision	1,822
Enhancements to corporate properties	223
Car Park enhancements	235
Disabled Facilities Grants	470
Other Schemes	419
Total	22,034

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 2019/20 is provided below:

Capital Receipts (Note 9)

The Council received £2.3m of HRA receipts. 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 long-term debt outstanding, (excluding loans of £0.03m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2020 was £120.2m.

Total Long Term Borrowing Outstanding

31/03/19	Source of loan	31/03/20
£'000		£'000
71,793	Public Works Loan Board	94,592
23,000	Market and Other Long-Term Loans	25,000
561	Other (3% stock)	561
95,354	Total	120,153

Long-term borrowing of £25m was taken during 2019/20. Short term borrowing of £20m was repaid during 2019/20. This represents a net increase of £5m of borrowing since 31 March 2019. The Council remains under borrowed by £10.6m (i.e. the Council's actual borrowing is £10.6m less than its borrowing requirement at 31 March 2020). This means that the borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered prudent whilst investment returns are currently low and internal balances allow for this. Additional long-term borrowing will be taken in 2020/21 and future years to bring levels up to the Council's borrowing requirement, subject to liquidity requirements, if preferential interest rates are available.

Pension Costs

(Note 44)

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

- The financial statements reflect the liabilities arising from the Council's retirement obligations.

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

The Balance Sheet presents a reduction in the estimated Pension Fund Reserve net liability over the 2019/20 year of £18.701m, down from £100.690m at 1 April 2019 to £81.989m at 31 March 2020. This decrease in the Pension Fund deficit resulted mainly from changes in financial assumptions following the latest triennial review. 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 £81.989m means that this deficit will be made good by the increased level of annual employer contributions payable to the

Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2019, the results at that time identified that there has been a significant improvement in the funding position since the last actuarial review from a 69% funding level to 84%. The next actuarial revaluation is due as at 31st March 2022.

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

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



Future Plans

Moving forward from the COVID19 pandemic, as the Country continues through the recovery phase, the

Council's single biggest challenge is our ability to lead on, finance and support key practical and relevant interventions which will be critical to the recovery of not only the council, but also Lincoln and Lincolnshire's economy.

The Council is currently forecasting a shortfall on our own General Fund budget of c£1.8m in 2020/21 after the allocation of government grant funding and the recently announced income compensation scheme. The Housing Revenue Account is forecasting a £0.7m shortfall for which no government support has yet been provided.

In response to this we are taking a number of urgent actions:

- Lobbying and media campaign
- Controls to limit expenditure in the short term
- Revised budget proposals for 2020/21
- Repurposing of Vision 2025

The Council's new Vision 2025, approved in March 2020, 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

Although the new Vision 2025 was adopted in March there was no formal public launch due to COVID-19. The council's response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely. This will ensure that we target our priorities in new ways to lead and bolster the City's economic recovery, focussing on what is important right now and deferring some projects to the latter years of the Plan.

The effects of the pandemic will remain with Lincoln in at least the short term and will make a difference in the prioritisation of workload over the next few years. We are already in the process of preparing revised budget estimates for consideration by Executive in September which will provide options for the council's financial security going forward.



General Fund

The General Fund is currently estimating a budget shortfall as a result of COVID in the region of £1.8m in 2020/21. Proposals, of a one-off nature, to ensure a revised balanced budget will be presented to the Executive in September 2020.

Despite these measures in ensure the in-year budget remains balanced beyond 2020/21 the Council is set to face ongoing reductions in local income sources, such as fees and charges, Council Tax and Business Rates receipts, and increased service costs from the legacy of impacts of COVID19.

Alongside these threats to local income sources, local government financing is still set for future significant reform. The Fair Funding Review will re-establish the baseline need of every local authority, and, at the same time, business rates baselines will be reset for the first time. The government also intends to redesign the business rates retention system, moving to 75% local retention, while restructuring the system of risk and rewards. All of this has currently been delayed due to the current COVID19 pandemic and the current implementation date is expected to be 2022/2023. The implications arising from these reforms, whilst yet unquantifiable, will have significant, detrimental, implications for the Council.

In addition, the ongoing impact of Brexit and the consequent impact on the economic and political landscapes poses significant uncertainty for local government and the Council.

The combined potential impact of these financial risks is greater than that experienced in 2020/21 and will require ongoing reductions in the net cost base to ensure the Council lives within a significantly reduced resources envelope and maintains a sustainable financial position.

Ahead of this the Council's General Fund continues to face a significant financial challenge if it is to deliver its Vision 2025 priorities and to deliver services to the public within a reduced, and more variable funding envelope.

Over the last 10-year period the Council has delivered savings in excess of £8.5m, a significant reduction in comparison to the overall net expenditure budget. However, the Medium Term Financial Strategy currently includes a savings of £1.25m by 2022/23. As a result of the new financial challenges that the Council is facing this target is likely to need to increase by a further £1m - £1.5m p.a. This is a significant target for the Council to achieve, particularly in light of the annual revenue reductions already achieved.

The Towards Financial Sustainability (TFS) programme will continue to be the vital element in ensuring that the Council maintains delivers the required reductions in the net cost base. The programme itself is being refocused to reflect the; new environment in which the Council now operates; it's priorities under Vision 2025; and an increased savings target. The Council will ultimately face some difficult decisions over the next 12 months as it prioritises

which services it can afford to continue to deliver.

Housing Revenue Account (HRA)

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

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

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

- the long-term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition, and:
- the Council's ambitious plans, alongside the resources to

deliver, a significant number of new Council dwellings.

A review of the current Business Plan is scheduled for completion in 2021.

Of immediate priority to the HRA is to ensure it too maintains a balanced budget position in 2020/21. With an estimate budget shortfall of £0.7m revised, one-off, budget proposals will be presented to the Executive in September 2020. Beyond this the legacy impacts of COVID19 are not as great as those experienced by the General Fund but will still require some ongoing adjustments to the Business Plan to ensure financial sustainability of the HRA.

Capital Expenditure

Despite the pressures the Council's revenue budgets face investment in the Council's assets, to maintain income generating assets, provide new income generating assets and support service delivery is still critical. The Council's capital strategy plans to deliver projects to the value of £107m over the next five years, with £50m estimated to be spent in 2020/21. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development, the construction of an extra care facility at De Wint Court in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



Capital resources for the next five years include capital receipts,

government grants, contributions from third parties and revenue contributions.

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

Cash flows

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

- Actual Business Rates base in year compared to the assumed levels in the budget, and the ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city as well as potential reductions arising from the current economic conditions and legacy of COVID19.
- Collection rates for Council Tax, Business Rates and Rents, which are currently being detrimentally impacted by COVID19.
- Income received compared to income targets (e.g. car parking, planning and building control), income in these areas

plummeted during 'lockdown' and whilst they are now beginning to recover there is a significant shortfall in comparison to pre-COVID19 levels.

- 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 MTF5.
- Grant support provided by Central Government to mitigate cash-flow implications arising from COVID19.

Summary

Whilst addressing the financial challenges it faces in the forthcoming years the Council will also continue to maintain the correct balance between these challenges and ensuring that its limited resources are directed towards its strategic priorities.

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



Group Accounts

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



The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council contributed £99k to the service which is contained within the Communities and Environment line of the CIES. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. The Council contributed £1.267m to the service which is contained within

the Chief Executive's Directorate line in the CIES. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. Under these arrangements the ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Further Information

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

J Gibson ACCA
Chief Finance Officer
(Section 151 Officer)

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2019 to 31 March 2020 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on **To Be Confirmed**

Councillor Sue Burke
Chair of Council

Date: 24th September 2019

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 2020 and its income and expenditure for the year ended on that date.

J Gibson ACCA
Chief Finance Officer
Date: 28th August 2020

MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2018	1,610	10,170	1,021	12,841	9,245	385	35,272	165,464	200,736
Movement in reserves during 2018/19									
Surplus or (deficit) on provision of services	(83)	0	4,821	0	0	0	4,738	0	4,738
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	600	600
Total Comprehensive Expenditure and Income	(83)	0	4,821	0	0	0	4,738	600	5,338
Adjustments between accounting basis & funding basis under regulations (note 9)	2,418	0	(5,137)	(7,166)	(4,671)	179	(14,377)	14,377	0
Other adjustments	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,335	0	(316)	(7,166)	(4,671)	179	(9,639)	14,977	5,338
Transfers (to)/from Earmarked Reserves	(2,096)	1,776	320	0	0	0	0	0	0
Increase/Decrease in Year	239	1,776	4	(7,166)	(4,671)	179	(9,639)	14,977	5,338
Balance at 31 March 2019 carried forward	1,849	11,946	1,025	5,675	4,574	564	25,633	180,441	206,074

MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Movement in reserves during 2019/20									
Surplus or (deficit) on provision of services	(5,712)	0	11,900	0	0	0	6,188	0	6,188
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	28,562	28,562
Total Comprehensive Expenditure and Income	(5,712)	0	11,900	0	0	0	6,188	28,562	34,750
Adjustments between accounting basis & funding basis under regulations (note 9)	6,106	0	(12,294)	10,234	723	4,660	9,430	(9,430)	0
Other adjustments	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	394	0	(394)	10,234	723	4,660	15,618	19,132	34,750
Transfers (to)/from Earmarked Reserves	(7)	(357)	364	(6,790)	(150)	0	(6,940)	6,940	0
Increase/Decrease in Year	387	(357)	(30)	3,444	573	4,660	6,728	26,072	34,750
Balance at 31 March 2020 carried forward	2,236	11,589	995	9,119	5,147	5,224	34,310	206,513	240,823

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

2018/19			Note	2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
40,559	(34,045)	6,514		36,366	(29,507)	6,859
2,957	(2,165)	792		3,462	(2,389)	1,074
20,804	(28,415)	(7,611)		17,279	(28,578)	(11,299)
18,721	(10,941)	7,780		19,757	(11,174)	8,583
960	(371)	589		681	(548)	133
1,152	(423)	729		(92)	(50)	(141)
85,153	(76,360)	8,793	Cost of Services	77,453	(72,246)	5,207
		1,393	Other Operating Expenditure			813
		2,699	Financing and Investment Income and Expenditure	11		7,434
		(17,625)	Taxation and Non-Specific Grant Income	12		(19,643)
		(4,738)	(Surplus) or Deficit on Provision of Services	13,37		(6,188)
		(10,320)	(Surplus) or deficit on revaluation of non-current assets	14,22		(4,914)
		0	Impairment Losses on Non- Current Assets charged to the Revaluation Reserve			0
		(325)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	26e		26
		10,045	Total re-measurements on defined benefit obligation	44		(23,674)
		(600)	Other Comprehensive Income and Expenditure			(28,562)
		(5,338)	Total Comprehensive Income and Expenditure			(34,750)

BALANCE SHEET AS AT 31 MARCH 2020

31 March 2019 £'000		Notes	31 March 2020 £'000
361,380	Property, Plant & Equipment	14,39,41	376,194
6,092	Heritage Assets	15	6,092
30,478	Investment Property	14,16	34,646
361	Intangible Assets	14,17,39	309
798	Long Term Investments	18,47	772
1,035	Long Term Debtors	18,47	950
400,144	Long Term Assets		418,962
1,500	Assets Held for Sale	22	1,500
29,216	Short Term Investments	18,47	30,609
88	Inventories	19	138
1	Cash at Bank	21	3
9,778	Short Term Debtors	18,20,47	11,506
40,583	Current Assets		43,756
(613)	Cash and Cash Equivalents	18,21,47	(326)
(21,476)	Short Term Borrowing	18,47	(11,460)
(12,987)	Short Term Creditors	18,23,47	(15,265)
(35,076)	Current Liabilities		(27,051)
(105)	Long Term Creditors	18,47	0
(3,428)	Provisions	24	(2,405)
(95,354)	Long Term Borrowing	18,47	(110,448)
(100,690)	Other Long Term Liabilities	44	(81,989)
(199,577)	Long Term Liabilities		(194,842)
206,074	Net Assets		240,823
25,633	Usable reserves	10,25	34,312
180,441	Unusable Reserves	26	206,511
206,074	Total Reserves		240,823

CASH FLOW STATEMENT

2018/19		Notes	2019/20
£'000			£'000
4,739	Net surplus or (deficit) on the provision of services		6,188
14,010	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	15,671
(5,613)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(9,352)
13,136	Net cash flows from Operating Activities		12,507
(45,724)	Investing Activities	30	(13,907)
31,100	Financing Activities	31	1,690
(1,488)	Net (increase) or decrease in cash and cash equivalents		290
876	Cash and cash equivalents at the beginning of the reporting period		(612)
(612)	Cash and cash equivalents at the end of the reporting period	21	(322)

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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 2019/20 financial year and its position at the year-end of 31 March 2020. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

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

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

7. Employee Benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

- Current service cost – the increase in 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 arising from current year decisions 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 may not have reasonable and verifiable information to support the measurement of lifetime losses on individual loans without undue cost or effort to support the measurement of lifetime expected losses. It has therefore assessed losses for the portfolio on a collective basis.

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

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

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

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

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

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

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

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

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

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

10. Foreign Currency Translation

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

11. Government Grants and Contributions

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

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

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

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

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

Business Improvement Districts

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

Community Infrastructure Levy

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

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

12. Intangible Assets

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

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

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

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

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

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

13. Interests in Companies and other Entities

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

14. Inventories and Long-Term Contracts

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

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

15. Investment Property

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

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

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

16. Joint Operations

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

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

17. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life

(where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

18. Overheads and Support Services

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

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

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an 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 current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

20. Heritage Assets

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

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

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

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

- **Civic Insignia**

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

- **Art and Sculptures**

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

- **Musical Instruments**

The Council holds a Steinway grand piano at the Drill Hall and a Stradivarius violin, which is on loan to the Halle orchestra. 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 instruments are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Vehicles**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

Heritage Assets – General

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

21. Disposals and Non-Current Assets Held for Sale

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

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses

in the Surplus and Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

23. Reserves

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

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

24. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been

charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

25. VAT

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

26. Fair Value

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

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

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

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

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

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

Note 2 – Accounting Standards Issued But Have Not Yet Been Adopted

The following Accounting Standards and amendments have been issued but will not be adopted until the 2020/2021 financial year.

- **Amendments to IAS28 Investments in Associates and Joint Ventures** – clarifies that IFRS9 applies to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- **Annual Improvements to IFRS Standards 2015 – 2017 Cycle.**
- **Amendments to IAS19 Employee Benefits** – When a plan amendment, curtailment or settlement occurs during a reporting period, entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period (only where material for the readers of the accounts).

These accounting changes will be required from 1 April **2020**.

The adoption of these new and amended standards is not expected to have a material impact on the Council's Statement of Accounts.

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. As the Council cannot be dissolved without statutory prescription, the accounts will be prepared on a going concern basis.
- **Group Boundaries** - The Council has a collaborative arrangement with Lincolnshire County Council, North Kesteven and West Lindsey District Council to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as a Joint Operation, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.
- **Leases** - The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- **Investments** - Investment in banks and other financial institutions are secure and will not suffer impairments.
- **Brexit** – The decision to leave the European union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020. This began the transition period that is set to end on the 31 December 2020. It is still unclear at this point what the implications of withdrawal from the EU might be for this Council and Local Government.

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 2020 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
Revenue Costs and Reserves	The outbreak of COVID19, declare by the World Health Organisation as a Global Pandemic on the 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus. This has significantly impacted on the Council's ability to generate income. The Council has also had to perform additional duties which has resulted in additional costs. Whilst there has been some financial support from Government the full impact of this will not be known until later in 2020/21.	
Business Rates (Balance Sheet 31 March 2020 – Provision for Business Rate Appeals £2.275m)	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 their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31 st March 2020. 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 at 31 March 2020 amounted to £2.275m, an decrease of £1.011m (30.8%) from the previous year. This is mainly due to leaving the 'pilot' scheme which the Council participated in during 2018/19 which increased the Council's share of appeals from 40% to 60%. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.227m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment (PPE)</p> <p>(Balance Sheet 31 March 2020 – PPE £376m)</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.</p> <p>Due to many economic factors that impact on the property investment and letting markets and the uncertainty around the UK leaving the EU, there is potential for significant change in the value in the retail property market.</p> <p>In addition, COVID19 has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The property valuations have therefore been reported by our valuers on the basis of 'material valuation uncertainty'. The valuations therefore have less certainty and should be viewed with a higher degree of caution than would normally be the case.</p>	<p>If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.073m and for council dwellings £0.216m for every year that the useful lives had to be reduced.</p>
<p>Assets held for sale and investment properties</p> <p>(Balance Sheet 31 March 2020</p> <ul style="list-style-type: none"> - assets held for sale £1.5m - Investment properties £34.3m) 	<p>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.</p>	<p>A 1% reduction in the value of investment properties and assets held for sale would result in a charge to the Comprehensive Income & Expenditure Statement of £0.358m; a 1% increase in value would result in the recognition of a gain of £0.358m in the Comprehensive Income & Expenditure Statement.</p>

<p>Arrears</p> <p>Balance Sheet 31 March 2020 - Debtors total of £16m includes £3.93m debtors (subject to arrears)</p>	<p>As at 31 March 2020, the Council had a balance on current debtors of £16m. A review of significant balances suggested that an impairment of doubtful debts of £3.93m was required.</p>	<p>If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.2m to be set aside as an allowance.</p>
<p>Pension Liability</p> <p>(Balance Sheet 31 March 2020 - pensions liability £81.989m)</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.</p>	<p>The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £19.325m.</p>
<p>Investments</p> <p>(Balance Sheet 31 March 2020 - Short term investments £30.55m - Long term investments £0.95m)</p>	<p>At 31 March 2020, the Council held £30.55m of short term investments. These comprise £18.55m invested in AAA-rated instant access Money Market Funds and £12m invested in A-rated UK banks, all for periods of up to 1 year.</p>	<p>As most of the investments are either in AAA-rated MMF's or short term deposits in A-rated UK banks, the risk of impairment is considered to be minimal.</p>

Note 5 – Prior Period Adjustment

There were no prior period adjustments in 2019/20.

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The decision to leave the European Union (EU) was made in 2016/17 and the UK left the EU on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. It is still unclear what the implications of withdrawal from the EU might be for this Council and Local Government as a sector.

The outbreak of the COVID-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus with no determined end date. The impact of the virus presents uncertainty for the UK and its economy and Local Government as a sector. On the 1 April 2020, the Government provided the council with £22.188m grant funding for business support packages to be delivered by the council. The council will receive a further £1.2m in respect of NNDR reliefs.

These events are non-adjusting for which no estimates of its financial effect on the reporting entry has been made.

Note 7 – Expenditure and Funding Analysis

2018/19				2019/20				
Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
6,166	519	(171)	6,514	Chief Executive's Directorate	4,994	349	1,516	6,859
296	0	496	792	Housing and Regeneration	717	0	356	1,073
(2,997)	0	(4,614)	(7,611)	Housing Revenue Account (HRA)	(2,849)	0	(8,450)	(11,299)
5,492	107	2,181	7,780	Communities and Environment	5,674	99	2,810	8,583
452	0	137	589	Major Developments	229	0	(96)	133
43	818	(132)	729	Corporate Services	194	818	(1,154)	(142)
9,452	1,444	(2,103)	8,793	Net Cost Of Services	8,960	1,266	(5,019)	5,207
(11,471)	(1,444)	(616)	(13,531)	Other Income and Expenditure	(8,960)	(1,266)	(1,170)	(11,396)
(2,019)	0	(2,719)	(4,738)	(Surplus) or Deficit on Provision of Services	0	0	(6,189)	(6,189)
<u>GF</u>		<u>HRA</u>	<u>Total</u>		<u>GF</u>		<u>HRA</u>	<u>Total</u>
(11,689)		(1,112)	(12,801)	Opening Balance	(13,706)		(1,115)	(14,821)
(2,017)		(3)	(2,020)	Less/ Plus Surplus or (Deficit) in Year	(120)		120	0
(13,706)		(1,115)	(14,821)	Closing Balance at 31 March	(13,826)		(995)	(14,821)

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								
2018/19					2019/20			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
(1,153)	992	(10)	(171)	Chief Executive's Directorate	188	1,316	12	1,516
187	307	2	496	Housing and Regeneration	2	347	7	356
(5,878)	1,266	(2)	(4,614)	Housing Revenue Account (HRA)	(10,254)	1,796	8	(8,450)
1,389	794	(2)	2,181	Communities and Environment	1,740	1,067	3	2,810
74	61	2	137	Major Developments	(196)	96	4	96
0	(132)	0	(132)	Corporate	0	(1,154)	0	(5,019)
(5,381)	3,288	(10)	(2,103)	Net Cost of Services	(8,521)	3,468	34	
(1,369)	1,499	(746)	(616)	Other Income & Expenditure from the Funding Analysis	(3,619)	1,505	944	(1,170)
(6,750)	4,787	(756)	(2,719)	Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(12,140)	4,973	978	(6,189)

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2018/19	2019/20
	£'000s	£'000s
Chief Executive's Directorate	(4,787)	(6,031)
Housing & Regeneration	(896)	(982)
Housing Revenue Account (HRA)	(28,911)	(29,033)
Communities & Environment	(10,355)	(11,052)
Major Developments	(156)	(412)
Corporate	(0)	(0)
Total Income analysed on a Segmental Basis	(45,104)	(47,510)

Note 8 – Expenditure and Income Analysed by Nature

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

	2018/19	2019/20
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	24,528	26,148
Other Services Expenses	65,651	64,163
Support Service Recharges	2,672	2,815
Depreciation, Amortisation and Impairment	5,768	5,068
REFCUS	0	479
Interest Payments	9,144	9,708
Precepts and Levies	818	828
Payments to Housing Capital Receipts Pool	760	729
Total Expenditure	109,341	109,938
Income		
Fees, Charges and other Service Income	(61,920)	(64,890)
Interest and Investment Income	(3,679)	(3,582)
Income from Council Tax and Non-Domestic Rates	(15,409)	(12,462)
Government Grants and Contributions	(32,512)	(34,427)
Gain/Loss on Disposal	(560)	(766)
Total Income	(114,080)	(116,128)
Surplus or Deficit on the Provision of Services	(4,739)	(6,188)

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.

2019/20	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,177	1,796	0	0	0	4,973
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	944	0	0	0	0	944
Holiday Pay (transferred to the Accumulated Absences Reserve)	26	8	0	0	0	34
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)	2,429	(9,695)	0	6,646	6,418	5,797
Total Adjustments to Revenue Resources	6,573	(7,891)	0	6,646	6,418	11,746
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(766)	2,934	0	0	2,168
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	729	0	(729)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(3,637)	0	3,637	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(995)	0	(150)	0	0	(1,145)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(202)	0	0	0	0	(202)
Total Adjustments between Revenue and Capital Resources	(467)	(4,403)	2,055	3,637	0	821
Adjustments to Capital Resources						

2019/20	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,482)			(1,482)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(6,790)	0	(6,790)
Application of Capital grants to finance capital expenditure	0	0	0		(1,758)	(1,758)
Total Adjustments to Capital Resources	0	0	(1,482)	(6,790)	(1,758)	(10,030)
Total Adjustments	6,106	(12,294)	573	3,493	4,660	2,537

2018/19	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,521	1,266	0	0	0	4,787
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	(746)	0	0	0	0	(746)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(8)	(2)	0	0	0	(10)
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)	2,337	172	0	6,206	1,183	9,898
Total Adjustments to Revenue Resources	5,102	1,436	0	6,206	1,183	13,927
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,364)	(2,067)	4,431	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	760	0	(760)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(4,506)	0	(212)	0	(4,718)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(842)	0	(150)	0	0	(992)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(238)	0	(7)	0	0	(245)
Total Adjustments between Revenue and Capital Resources	(2,684)	(6,573)	3,514	(212)	0	(5,955)
Adjustments to Capital Resources						

2018/19	Usable Reserves					Movement In Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(8,185)	0	0	(8,185)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(13,160)	0	(13,160)
Application of Capital grants to finance capital expenditure	0	0	0	0	(1,004)	(1,004)
Total Adjustments to Capital Resources	0	0	(8,185)	(13,160)	(1,004)	(22,349)
Total Adjustments	2,418	(5,137)	(4,671)	(7,166)	179	(14,377)

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 @ 31.03.18 £'000	Movements	Appropriations		Balance @ 31.03.19 £'000	Movements	Appropriations		Balance @31.03.20 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
General Fund									
Business Rates Volatility	539	0	917	0	1,456	0	800	(297)	1,959
Strategic Projects	496	0	0	(193)	303	0	0	(157)	146
Budget Carry Forwards	324	(46)	47	(130)	194	(22)	34	(72)	134
Grants & Contributions	787	0	850	(93)	1,545	(79)	1,476	(1,836)	1,106
Invest to Save (GF)	307	69	137	(86)	427	0	32	(123)	336
Mercury Abatement	378	0	94	(58)	414	0	14	(56)	371
Strategic Growth (GF)	100	0	0	(86)	14	0	43	0	57
Unused DRF	221	109	111	(238)	203	0	0	0	203
Backdated Rent Review	220	0	0	0	220	0	0	(50)	170
Funding for Strategic Priorities	28	(60)	1,337	(91)	1,214	5	0	(292)	926
IT Reserve	217	0	100	(317)	0	0	129	(35)	94
Revenues & Benefits Shared Service	163	0	45	(45)	163	0	25	(163)	25
Asset Improvement	72	0	0	(17)	55	0	0	(51)	4
Tree Risk Assessment	106	0	37	(35)	108	0	36	(38)	106
MA Reserve	51	0	0	(51)	0	0	0	0	0
Organisational Development	8	0	76	0	85	0	0	(85)	0
Mayoral Car	47	0	0	0	47	0	0	0	47
Yarborough Leisure Centre	2	0	0	0	2	0	0	0	2
Private Sector Stock Condition Survey	63	0	12	(30)	45	0	48	(48)	45
Property Searches	36	0	0	(32)	4	0	0	0	4
Managed Workspace	35	0	0	(35)	0	0	0	0	0
Boston Audit Contract	14	0	0	0	14	0	0	0	14
Section 106 Interest	32	0	0	0	32	0	0	0	32
Crematorium	0	0	0	0	0	100	0	(100)	0
Christmas Decorations	17	0	0	0	17	(3)	0	0	14
Electric Van Replacement	22	(16)	4	0	11	0	4	0	15

	Balance	Movements	Appropriations		Balance	Movements	Appropriations		Balance
	@ 31.03.18		Transfers In	Transfers Out	@ 31.03.19		Transfers In	Transfers Out	@31.03.20
	£'000		£'000	£'000	£'000		£'000	£'000	£'000
Air Quality Initiatives	23	0	6	(18)	10	0	5	0	15
Commons Parking	27	0	6	(8)	25	0	11	(9)	27
Tank Memorial	10	0	0	0	10	0	0	0	10
Income Volatility Reserve	178	0	0	(178)	0	0	0	0	0
HRS Reserve	89	0	0	0	89	0	0	(89)	0
City Hall Sinking Fund	36	0	24	0	60	0	0	0	60
Birchwood Leisure Centre	0	0	0	0	0	0	26	0	26
Covid Response	0	0	0	0	0	0	354	0	354
MSCP & Bus Station	0	0	0	0	0	0	60	0	60
Western Growth Corridor Plan	0	0	0	0	0	0	150	0	150
Total General Fund Earmarked Reserves	4,648	56	3,803	(1,741)	6,766	0	3,247	(3,501)	6,512
HRA									
HRA Strategic Growth	178	0	0	(153)	25	0	76	0	101
HRA Invest to Save	140	0	0	0	140	0	0	(7)	133
Capital Fees Equalisation	238	0	0	(56)	182	0	0	(42)	140
HRA Strategic Priority	240	0	0	0	240	0	0	(64)	176
De Wint Court	73	0	0	0	73	0	0	0	73
HRA Repairs Account	624	0	13	(58)	579	0	17	0	595
HRA Survey Works	57	0	3	0	60	0	3	(9)	54
Stock Retention	22	0	0	0	22	0	0	0	22
Housing Repairs Service	0	0	0	0	0	0	126	0	126
Total HRA Earmarked Reserves	1,572	0	16	(267)	1,321	0	222	(122)	1,420
Total Earmarked Reserves	6,220	56	3,819	(2,008)	8,087	0	3,469	(3,623)	7,932
Insurance Fund	3,950	0	139	(227)	3,862	0	445	(650)	3,657
Total Earmarked Reserves	10,170	56	3,958	(2,235)	11,949	0	3,914	(4,273)	11,589

Insurance Reserve

The insurance fund has been set up to ensure adequate funding for the insurance risk covered by the City of Lincoln Council. In **2019/20** the risk in respect of Public Liability Insurance had an excess of £100,000 (per claim) with no cap ceiling. The movements on the fund are as follows:

RESTATED		2019/20
2018/19		£'000
£'000		£'000
3,950	Opening Balance	3,862
(247)	Funding of claims/losses	(150)
425	Contributions from revenue	425
20	Interest on balances	20
(286)	Contributions from reserve	(500)
<u>3,862</u>	Closing Balance	<u>3,657</u>

Note 11 – Other Operating Expenditure

2018/19		2019/20
£'000		£'000
818	Levies	828
760	Payments to the Government Housing Capital Receipts Pool	729
(185)	(Gains)/losses on the disposal of non-current assets	(744)
<u>1,393</u>	Total	<u>813</u>

Note 12 - Financing and Investment Income and Expenditure

2018/19		2019/20
£'000		£'000
3,302	Interest payable and similar charges	3,916
2,337	Net interest on the net defined liability	2,452
(2,769)	(Surplus)/Deficit on Trading Operations	1370
0	Dividends Receivable	(26)
(171)	Interest Receivable and similar income	(230)
<u>2,699</u>	Total	<u>4,693</u>

Note 13 – Taxation and Non-Specific Grant Income

2018/19		2019/20
£'000		£'000
(6,452)	Council Tax income	(6,675)
(8,958)	Retained Business Rates income and expenditure	(6,062)
(1,031)	Non ring-fenced government grants	(488)
(1,183)	Capital grants and contributions	(6,418)
<u>(17,624)</u>	Total	<u>(19,643)</u>

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

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

Movements in 2019/20											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	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	£'000
Cost or Valuation											
At 1 April 2019	249,411	93,811	10,680	0	4,955	11,823	1,679	372,358	1,932	30,478	404,768
Additions	10,768	236	2,203	0	256	0	1,126	14,589	55		14,644
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	74	3204	0	0	0	89	0	3,368			3,368
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(442)	(152)	0	0	0	0	(53)	(646)		(2,741)	(3,387)
De-recognition and disposals	(2,202)	0	0	0	0	0	0	(2,202)		(20)	(2,222)
Other movements in cost or valuation	(2)	(7,879)	7	0	0	7,838	(12)	(48)		6,929	6,881
At 31 March 2020	257,607	89,222	12,890	0	5,211	19,750	2,740	387,418	1,992	34,646	424,056
Depreciation											
At 1 April 2019	(14)	(2,739)	(8,102)	0	(119)	(5)	0	(10,980)	(1,571)	0	(12,551)
Depreciation for year	(6,354)	(1,699)	(544)	0	0	(2)	0	(8,600)	(112)	0	(8,712)
Depreciation written out to the Revaluation Reserve	0	1,545	0	0	0	1	0	1,546	0	0	1,546

Movements in 2019/20											
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,294	435	0	0	0	0	0	6,729	0	0	6,729
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	54	0	0	0	0	0	0	54	0	0	54
De-recognition – other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	1	0	0	0	(1)	0	0	0)	0	(0)
At 31 March 2020	(20)	(2,457)	(8,646)	0	(119)	(7)	0	(11,249)	(1,683)	0	(12,932)
Net book value of assets at 31.03.20											
Net book value of assets at 31.03.20	257,587	86,763	4,244	0	5,092	19,744	2,740	376,168	309	34,646	411,123
Net book value of assets at 31.03.19											
Net book value of assets at 31.03.19	249,397	91,072	2,578	0	4,836	11,818	1,679	361,379	360	30,478	392,217
Owned											
Owned	257,587	86,763	4,053		5,092	19,743	2,740	375,977	309	34,646	412,882
Finance lease											
Finance lease			191					191	0	0	191

Movements in 2018/19											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	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	£'000
Cost or Valuation											
At 1 April 2018	228,597	92,544	10,346	0	4,306	2,864	4,898	343,555	1,882	16,225	361,662
Additions	13,608	718	433	0	680	1,935	9,413	26,787	50	11,220	38,057
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	58	3,299	0	0	17	5,824	0	9,198	0	0	9,198
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,764)	(1,626)	0	0	(15)	0	0	(4,405)	0	1,620	(2,785)
De-recognition and disposals	(1,704)		(519)	0	0	0	0	(2,223)	0	(322)	(2,545)
Other movements in cost or valuation	11,615	(1,124)	420	0	(33)	1,200	(12,632)	(554)	0	1,735	1,181
At 31 March 2019	249,410	93,811	10,680	0	4,955	11,823	1,679	372,358	1,932	30,478	404,768
Depreciation											
At 1 April 2018	(10)	(2,304)	(8,138)	0	(119)	(5)	0	(10,576)	(1,313)	0	(11,889)
Depreciation for year	(5,852)	(1,531)	(448)	0	0	(3)	0	(7,834)	(234)	0	(8,068)
Depreciation written out to the Revaluation Reserve	5	1,116	0	0	0	0	0	1,121	0	0	1,121
Movements in 2018/19											
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,800	0	0	0	0	0	0	5,800	0	0	5,800
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0

Movements in 2018/19											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	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	£'000
De-recognition – disposals	43	0	519	0	0	0	0	562	0	0	562
De-recognition – other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(20)	(36)	0	0	3	0	(53)	(24)	0	(77)
At 31 March 2019	(14)	(2,739)	(8,102)	0	(119)	(5)	0	(10,980)	(1,571)	0	(12,551)
Net book value of assets at 31.03.19	249,397	91,072	2,578	0	4,836	11,818	1,679	361,379	360	30,478	392,217
Net book value of assets at 31.03.18	228,587	90,240	2,208	0	4,187	2,859	4,898	332,979	569	16,225	349,772
Owned	249,397	91,072	2,194	0	4,836	11,818	1,679	360,995	360	30,478	391,833
Finance lease	0	0	384	0	0	0	0	384	0	0	384

During 2018/19 the Asset Register and the ledger were aligned with minor restatements as above resulting in movements in the capital adjustment account (see note 26) which have been treated as in year transactions.

Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment and Investment Properties required to be measured at fair value are revalued at least every five years.

The valuations of the Council's freehold and leasehold properties have been carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. All valuations are either undertaken by the following Council Officers, or by the District Valuer.

Principal Property Surveyor	Mr P Clifton	MRICS
Senior Property Surveyor	Mr A Wiswould	MRICS

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

	Council Dwellings	Land & Buildings	Community Assets	Vehicles Plant & Equip.	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
Valuation at historical cost			5,092	4,053		2,740
Valued at current value as at:						
31/03/2020	257,474	38,594			1,504	
31/03/2019	67	23,399			17,126	
31/03/2018		6,433			905	
31/03/2017		14,157			0	
31/03/2016		2,409			126	
Total cost or valuation	257,541	84,992	5,092	4,053	19,661	2,740

Depreciation

Tangible Assets

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. Non-operational assets are treated as investment properties and as such are not depreciated. The standard useful lives of assets, used for depreciation purposes (unless overwritten by asset valuations), are as follows:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Council Dwellings	60 years for new properties 30 years for properties over 30 years old
Other Land & Buildings	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Offices	50 years
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
Vehicles, Plant & Equipment	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years
Infrastructure Assets	50 years

Intangible Assets

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

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

Note 15 – Heritage Assets

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

	Heritage Vehicles £'000	Musical Instruments £'000	Civic Insignia £'000	Other £'000	Total Assets £'000
Cost or Valuation					
At 1 April 2018	38	3,285	2,359	409	6,091
Additions					0
De-recognitions					0
Revaluations					0
At 31 March 2019	38	3,285	2,359	409	6,091
Cost or Valuation					
At 1 April 2019	38	3,285	2,359	409	6,091
Additions					0
De-recognitions					0
Revaluations					0
At 31 March 2020	38	3,285	2,359	409	6,091

Heritage Vehicles

The Council's heritage vehicles are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed

annually and revalued every five years by an appropriately qualified external valuer.

Musical Instruments

This category contains a donated asset, a violin by Antonio Stradivari of Cremona dated 1695, which is on loan to the Halle Orchestra. The violin was last valued at the end of 2017/18 by external valuers, Ingles and Hayday, at £3.2m.

Civic Insignia

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office and mace. All items are on display at the Guildhall, Lincoln. It also includes four ceremonial and fighting swords of considerable historical significance, which together are valued at £2.4m. The Council's collection of civic insignia is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually and revalued every five years by an appropriately qualified external valuer. These were revalued at 31st March 2017 by external valuers Bamfords.

Other Heritage Assets

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

Heritage Assets not recognised in the Balance Sheet

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

Scheduled Ancient Monuments

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

Memorials

High Street	War memorial
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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:

2018/19 £'000		2019/20 £'000
1,196	Rental income from investment property	2,329
(198)	Direct operating expenses arising from investment property	(83)
1,620	Fair value gains/(losses) on investment properties	(2,741)
374	Gains/(losses) on disposal of investment properties	22
2,993	Net gain/(loss)	(473)

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:

2018/19 £'000		2019/20 £'000
16,225	Balance at 1 April	30,478
11,220	Additions	6,888
(322)	Disposals	(20)
1,620	Net gain/loss from Fair Value Adjustment	(2,741)
1,735	Transfers (to)/from Other Land and Buildings	41
30,478	Balance at 31 March	34,646

Fair Value Hierarchy

The Council's Investment Properties have been assessed as being Level 2 on the Fair Value Hierarchy (See Note 1 Accounting Policies, point 25 for an explanation of fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

An income-investment approach has been used to determine the fair value of Investment Properties. This technique involves an assessment of potential future net incomes flowing from the property. In the case of the majority of properties that are currently let, this reflects terms of the existing lease including passing rents and any scheduled rent reviews and, if later, ultimate reversion to full market rental value. In the case of properties that are currently vacant, it is assumed that a letting is immediately sought at full market rental value and otherwise on optimum letting terms from the perspective of a market participant. Potential future net income flows are then capitalised using market all-risks term and reversionary yields to derive a present value, thus representing Market Value.

There has been no change in the valuation techniques used during the year for Investment Properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The Investment Properties that were valued at 31 March 2020 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 £112k was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The Council has the following investments at 31 March 2020:

Investors in Lincoln – on 1 April 2018 the Council held shares at cost of £14,000 which have been designated as fair value through Other Comprehensive Income. The fair value of the shares derived using IFRS13 Fair Value Measurement was £245k. No dividends are received for these instruments.

Dunham Bridge – On 1 April 2018 the Council held shares at a fair value, based on market evidence, of £458k with the accumulated gains being held in the Available for Sale Reserve. The fair value of the shares remained unchanged. Dividends are received for these instruments. Upon reclassification to fair value through Other Comprehensive Income the accumulated gains were transferred from the Available for Sale Reserve to the Financial Instruments Revaluation Reserve (see note 26).

All investments classified as loans and receivables have been classified as Amortised Cost as they are all simple principal and interest investments with no impairment allowance or other cash flows associated with them. The investments are carried at the same value on the Balance Sheet and any transactional costs are charged directly to the Income and Expenditure Account as they are incurred.

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:

	31/03/2019	31/03/2020
	£000	£000
Non-listed securities	504	504
Total	504	504

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

31 March 2020

	Unquoted Shares	Other	Total
	£000	£000	£000
Opening Balance	294	0	294
Transfers into level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period			
- Included in Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	(26)	0	(26)
Additions	0	0	0
Disposals	0	0	0
Closing Balance	268	0	268

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

Summary of Financial Instruments		31/3/19	31/3/20
		£000s	£000s
Financial Liabilities at amortised cost			
Long Term Borrowing	Level 1	(95,354)	(110,448)
Short Term Borrowing	Level 1	(21,475)	(11,254)
Long Term Creditors	Level 1	(105)	0
Short Term Creditors	Level 1	(6,636)	(8,844)
Cash and Cash Equivalents	Level 1	(613)	(626)
Total Financial Liabilities		(124,183)	(131,172)
Financial Assets at amortised cost			
Short Term Investments	Level 1	29,216	30,609
Long Term Debtors	Level 1	1,035	950
Short Term Debtors	Level 1	9,770	10,516
Cash and Cash Equivalents	Level 1	0	0
Total Financial Assets		40,021	42,075
Financial Assets at FVOCI*			
Long Term Investments	Level 2/3**	798	772
Total Assets at FVOCI		798	772

*Fair Value through Other Comprehensive Income

** See table below for detail

There have been no transfers between levels in the hierarchy during 2019/20.

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:

2019/20	Financial Liabilities		Financial Assets		Total
	Amortised Cost		FVOCI		
	£000	£000	£000	£000	
Interest Expense	3,916				3,916
Interest Income credited to services		(225)			(225)
Dividend Income			(26)		(26)
Surplus or deficit arising on revaluation of financial assets			26		26
Net (gain)/loss for the year	3,916	(225)	0		3,691

2018/19				
Interest Expense	3,302			3,302
Interest Income		(147)	(24)	(171)
Surplus or deficit arising on revaluation of financial assets			(326)	(326)
Net (gain)/loss for the year	3,302	(147)	(350)	2,805

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.

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 31/3/20	As at 31/3/19
			£'000	£'000
Fair Value OCI /Available for Sale				
Equity shareholding in Dunham Bridge Company	Level 2	Average price obtained during the last three share sales	504	504
Equity shareholding in Investors in Lincoln	Level 3	Discounted cash flow *	268	294
Total			772	798

* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £267,793 has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and assuming future profit will remain the same as current year profit.

**See Glossary for a 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

31/03/19			31/03/20	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
72,959	85,814	PWLB Debt	96,116	102,874
16,175	26,771	Money Market Debt	16,175	26,540
565	565	Stock	565	561
27,130	27,126	Other	9,017	9,074
105	105	Lease Liabilities	0	0
116,934	140,381	Total Debt	121,873	139,049

The Council has £561,000 of listed debt. This stock has not been traded in recent years. Due to this debt being immaterial and the lack of market activity its fair value has been assessed to be its 'par' (or face) value inclusive of accrued interest at the year end.

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

Financial Assets

31/03/19			31/03/20	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
29,216	29,216	Money Market Investments <1 year	30,609	30,609
0	0	Money Market Investments >1 year	0	0
1,035	1,035	Long Term Debtors	950	950
30,251	30,251	Total Investments	31,559	31,559

The differences are attributable to fixed interest instruments payable being held by the Council, whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial assets and raises the value of loans and investments held at amortised cost.

The fair value of Public Works Loan Board (PWLB) loans of £102.874m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £96.116m would be valued at £102.874m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £142.287m.

Trade debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 19 – Inventories

In undertaking its work the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The figure shown in the Balance Sheet may be subdivided as follows:

	Consumable Stores		City Maintenance Services Materials		City Maintenance Services Work in Progress		Total	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Balance outstanding at the start of the year	73	85	5	2	142	0	220	87
Purchases	24	58	0	0	0	0	24	58
Recognised as an expense in the year	(11)	(5)	(3)	0	(142)	0	(156)	(5)
Balance outstanding at the year-end	85	138	2	2	0	0	88	140

Note 20 – Debtors

Debtors listed under current assets are monies due which the Council expects to collect within one year of the Balance Sheet date and are analysed as follows:

31/03/19		31/03/20
£'000		£'000
1,473	Central Government Bodies	1,163
2,044	Other Local Authorities	3,195
1	NHS Bodies	2
10,328	Other Entities and Individuals	11,076
13,846	Total Short-Term Debtors	15,436
(4,068)	Less Impairment Loss Allowance	(3,930)
9,778	Net Short-Term Debtors as per Balance Sheet	11,506

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:

31/03/19		31/03/20
£'000		£'000
127	Less than three months	109
268	Three to six months	316
606	Six months to one year	545
5,268	More than one year	5,854
6,269	Total	6,824

Note 21 – Cash and Cash Equivalents

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

31/03/19		31/03/20
£'000		£'000
1	Cash held by the Council	3
(613)	Bank Current accounts	(329)
(612)		(326)

The overdrawn balance at 31/3/2019 shows the financial position which includes creditor payments awaiting clearance through the bank account.

Note 22 – Assets Held for Sale

The Authority had 1 piece of development land as assets held for sale at the beginning of the year. The sale of the asset has been approved but was not completed as at 31st March 2021. The asset is included as Current Assets as at 31st March 2021.

Current 2018/19 £000		Current 2019/20 £000
4,575	Balance at start of the year	1,500
0	Additions	0
	Newly classified:	
15	- Property Plant & Equipment	0
0	Revaluation gain/(loss)	0
(1,200)	Transfers from AHFS	0
(1,890)	Disposals	0
<u>1,500</u>	Closing Balance	<u>1,500</u>

Note 23 – Creditors

Creditors shown as current liabilities are amounts payable by the Council within one year of the Balance Sheet date and are analysed as follows:

31/03/19 £'000		31/03/20 £'000
(1,137)	Central Government Bodies	(6,740)
(3,422)	Other Local Authorities	(567)
(8,428)	Other Entities and Individuals	(7,958)
<u>(12,987)</u>	Total	<u>(15,265)</u>

Note 24 – Provisions

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

	Business Rates RV Reduction the Think Tank	Compulsory Purchase Order	Local Authority Mortgage Scheme	Business Rates Appeals
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(37)	(91)	(14)	(2,191)
Additional Provisions made in 2019/20	0	(3)	0	(637)
Amounts used in 2019/20	0	0	14	23
Unused Amounts Reversed in 2019/20	0	0	0	530
Unwinding of Discounting in 2019/20	0	0	0	0
Balance at 31 March 2020	(37)	(94)	0	(2,275)

The provision for business rate appeals represents the Council's share (40% of £5.477m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2020. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

Note 25 – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

Note 26 – Unusable Reserves

The Council keeps a number of unusable reserves in the Balance Sheet. Some are required to be held for statutory reasons; some are needed to comply with proper accounting practice.

Reserve	Balance 31/03/19	Net Movement in Year	Balance 31/03/20	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	30,794	4,570	35,365	Store of gains on revaluation of assets	a) below
Pensions Reserve	(100,690)	18,701	(81,989)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	248,888	3,7552	252,643	Store of capital resources set aside to meet past expenditure	b) below
Deferred Capital Receipts	57	0	57	Expected future repayments from sales of assets received in instalments	c) below
Financial Instruments Adjustment Account	(55)	2	(53)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	783	(26)	757	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	72	(46)	26	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below

Reserve	Balance 31/03/19	Net Movement in Year	Balance 31/03/20	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Collection Fund Adjustment Account - NNDR	1,016	(898)	118	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(425)	(34)	(460)	Absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (i.e. annual leave entitlement carried forward at 31 March	g) below
	180,440	26,024	206,464		

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.

2018/19 £'000		2019/20 £'000
(20,604)	Balance 1 April	(30,795)
(10,335)	Upward Revaluation of assets	(4,914)
14	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	0
<hr/>		<hr/>
(10,321)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(35,709)
130	Difference between fair value depreciation and historical cost depreciation	0
0	Accumulated gains on assets sold or scrapped	0
0	Amounts written out to the Capital Adjustment Account	343
0	Amounts written out to the Capital Adjustment Account Prior period adjustment	0
<hr/>		<hr/>
<u>(30,795)</u>	Balance 31 March	<u>(35,366)</u>

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.

2018/19 £'000		2019/20 £'000
(230,354)	Balance 1 April	(248,888)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,064	Charges for depreciation and amortisation of non-current assets	8,712
76	Other movements of depreciation	0
(1,394)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(3,394)
(1,620)	Fair value movements on Investment Properties	
897	Revenue expenditure funded from capital under statute	479
3,872	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,168
5	Other adjustments	
9,900		7,965
(131)	Adjusting amounts written out of the Revaluation Reserve	(344)
9,769	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
	Net written out amount of the cost of non-current assets consumed in the year	7,621
	Capital Financing applied in year:	
(8,192)	Use of Capital Receipts to finance new capital expenditure	(1,758)
(150)	Use of Capital Receipts to reduce capital financing requirement	(150)
(13,160)	Use of the Major Repairs Reserve to finance new capital expenditure	(6,790)
(4,956)	Capital expenditure charged against the General Fund and HRA balances	(202)
(1,004)	Application of Capital Grants to finance new capital expenditure	(1,482)
(842)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(995)
(28,303)		(11,376)
(248,888)	Balance 31 March	(252,643)

c) **Deferred Capital Receipts**

This account contains the expected future repayments of capital from sales of assets which will be received in instalments over an agreed period of time. They arise principally from mortgages on sold council houses. When made, these payments are regarded as being of a capital nature and transactions during the year were as follows:

2018/19 £'000		2019/20 £'000
(57)	Balance 1 April	(57)
0	Council's share of (surplus)/deficit for the year	0
(57)	Balance 31 March	(57)

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code of Practice and are required by statute to be met from the General Fund and HRA balances.

2018/19 £'000		2019/20 £'000
58	Balance 1 April	55
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(3)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
55	Balance 31 March	53

e) Financial Instruments Revaluation Reserve and Available for Sale Financial Instruments 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.

Financial Instruments Revaluation Reserve	2019/20 £'000
Balance 1 April	0
Transfer from Available for Sale Financial Instruments Reserve	(783)
(Gain)/Loss on FVOCI revaluations in year	26
Balance 31 March	(757)

f) Collection Fund Adjustment Account – Council Tax

The Council Tax Adjustment Account was introduced on 1 April 2009 to comply with the new accounting requirements for the Collection Fund contained within the Statement of Recommended Practice 2009/10 (SORP 2009). The difference between accrued income for the year as shown in the Income and Expenditure Account and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2018/19 £'000		2019/20 £'000
(45)	Balance 1 April	(72)
(27)	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	46
<u>(72)</u>	Balance 31 March	<u>(26)</u>

f) 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.

2018/19 £'000		2019/20 £'000
(297)	Balance 1 April	(1,016)
(719)	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	898
<u>(1,016)</u>	Balance 31 March	<u>(118)</u>

g) 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.

2018/19 £'000		2019/20 £'000
435	Balance 1 April	425
(435)	Settlement or cancellation of accrual made at the end of the preceding year	(425)
425	Amounts accrued at the end of the current year	460
(10)	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	34
425	Balance 31 March	460

Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
147	Interest received	187
(3,121)	Interest paid	(3,638)
0	Dividends Received	26
<u>(2974)</u>		<u>(3,425)</u>

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

2018/19 £'000		2019/20 £'000
7,906	Depreciation	8,600
(3,016)	Impairment and downward valuations	(6,135)
234	Amortisation	112
0	Increase/(decrease) in impairment for bad debts	0
(309)	Increase/(decrease) in creditors	6,014
182	(Increase)/decrease in debtors	(1,709)
132	(Increase)/decrease in inventories	(50)
4,786	Movement in pension liability	4,973
3,872	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,148
223	Other non-cash items charged to the net surplus or deficit on the provision of services	1,718
<u>14,010</u>		<u>15,671</u>

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

2018/19 £'000		2019/20 £'000
(4,430)	Proceeds from sale of PPE, investment property and intangible assets	(2,934)
(1,183)	Any other items for which the cash effects are investing or financing cash flows	(6,418)
<u>(5,613)</u>		<u>(9,352)</u>

Note 30 – Cash Flow Statement - Investing Activities

2018/19 £'000		2019/20 £'000
(37,673)	Purchase of property, plant and equipment, investment property and intangible assets	(21,975)
(29,200)	Purchase of short-term and long-term investments	(131,555)
(902)	Other payments for investing activities	0
4,430	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,934
15,600	Proceeds from short-term and long-term investments	130,205
2,021	Other receipts from investing activities	6,484
<u>(45,724)</u>	Net cash flows from investing activities	<u>(13,907)</u>

Note 31 – Cash Flow Statement - Financing Activities

2018/19 £'000		2019/20 £'000
(234)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(237)
38,000	Cash receipts of short & long-term borrowing	250,001
5	Other receipts from financing activities	0
(3,750)	Repayments of short- and long-term borrowing	(20,201)
(2,921)	Other payments for financing activities	(2,873)
<u>31,100</u>	Net cash flows from financing activities	<u>1,690</u>

Reconciliation of liabilities arising from financing activities

2019/20	RESTATED 01/04/2019	Financing Cash Flows		Non-Cash movements	31/03/2020
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	95,354	25,000	(201)	(7,205)	112,948
Short Term Borrowing	21,476		(20,000)	7,205	8,681
Lease liabilities	342	0	(237)		105
Total Liabilities from financing activities	117,172	38,000	(20,438)	91	121,734

Note 32 – Trading Operations

The Council operates a Housing Repairs Service (HRS), which carries out day to day maintenance on council housing and other public buildings as well as environmental works, street furniture etc. The Council also owns and manages a fruit, vegetable and retail market situated within the City Centre and also operates and manages a bus station and several car parks located throughout the city. It also manages a number of industrial estates and commercial properties.

2018/19				2019/20		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
170	(234)	(64)	Markets	154	(232)	(78)
1,937	(5,054)	(3,117)	Car Parks	2,102	(5,559)	(3,457)
2,107	(5,289)	(3,182)	(Surplus)/Deficit applicable to a service	2,256	(5,791)	(3,535)
7,527	(7,412)	116	HRS	8,473	(7,734)	739
271	(164)	107	City Bus Station	267	(168)	99
53	(1,535)	(1,482)	Industrial Estates	(210)	(378)	(588)
145	(1,655)	(1,511)	Lincoln Properties	3,072	(1,951)	1,120
7,997	(10,766)	(2,769)	(Surplus)/Deficit not applicable to a service	11,601	(10,231)	1,370
10,104	(16,055)	(5,951)	Total (Surplus)/Deficit	13,857	(16,022)	(2,164)

Note 33 – Agency Services

In accordance with the Code, the collection and distribution of National Non-Domestic Rates (NNDR) and Council Tax is deemed to be an agency arrangement. The costs of collection of NNDR and the surplus or deficit on the Collection Fund for the year, are shown in the Collection Fund Statement.

Note 34 – Members’ Allowances

The Local Authorities (Members’ Allowances) (Amendment) Regulations 1995 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 2019/20 totalled £242,113 (£237,618 in 2018/19).

Payments are defined as:

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

Note 35 – Officers’ Remuneration

The Accounts and Audit Regulations 2012 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

2019/20						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	130,256	0	516	0	20,841	151,613
Strategic Director of Housing & Regeneration ²	91,197	0	321	0	14,592	106,110
Strategic Director of Communities & Environment	92,490	0	278	0	14,698	107,465
Strategic Director of Major Developments	91,008	0	0	0	14,561	105,569
Total	404,950	0	1,115	0	64,691	470,757

2018/19						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	120,268	0	629	0	19,243	140,140
Strategic Director of Housing & Regeneration ²	11,125	0	80	0	1,780	12,985
Strategic Director of Housing & Regeneration ³	40,618	0	111	0	6,499	47,228
Strategic Director of Communities & Environment	86,279	0	156	0	13,781	100,216
Strategic Director of Major Developments	85,288	0	0	0	13,646	98,934
Total	343,577	0	976	0	54,948	399,503

- 1) The salary costs for the Chief Executive include £6.9k relating to election expenses in 2019/20.
- 2) The salary costs for the Director of Housing & Regeneration is higher than 2018/19 due to previous year vacancy.

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	
	2019/20	2018/19
50,000 - 54,999	9	4
55,000 - 59,999	2	0
60,000 - 64,999	1	4
65,000 - 69,999	3	2
70,000 - 74,999	0	2
75,000 - 79,999	2	0
80,000 - 84,999	0	0

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

The figure above for 2019/20 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	1	0	3	0	4	0	49,546	0
£20,001 - £40,000	0	0	0	1	0	1	0	36,398
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings							49,546	36,398
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							49,546	36,398

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

Note 36 – External Audit Costs

In 2019/20 the following fees relating to External Audit and Inspection were incurred and paid to Mazars, the Council's external auditors:

2018/19		2019/20
£'000		£'000
	<u>Fees payable for statutory audit services</u>	
36	Fees Payable with regard to external audit services carried out by the appointed auditor	36
36		36
	<u>Fees payable for other audit services</u>	
5	Fees payable with regard to other audit work	5
14	Fees payable for the certification of grant claims and returns	10
55	Total fee payable to external auditors	51

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2019/20 is an estimate, as the work will be carried out in the period August to December 2020.

Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £'000	Credited to Taxation and Non-Specific Grant Income	2019/20 £'000
0	Revenue Support Grant	(22)
(1,006)	New Homes Bonus	(721)
(8)	Transparency Code Setup Grant	0
(17)	Brexit	(35)
(1,031)	Total Non-Ring-fenced Grants shown on CIES	(778)
(777)	Disabled Facilities Grants	(756)
0	Section 106 agreement	(279)
0	Lincolnshire County Council	(1,400)
(47)	Heritage Lottery Fund	(37)
0	Football Foundation	(864)
0	Sport England	(81)
(82)	Leaseholder Contributions	(29)
0	Homes England	(2,954)
(225)	National Rail	0
(52)	Other Capital Grants and Contributions	(18)
(1,183)	Total Capital Grants and Contributions shown on CIES	(6,418)
(1,917)	S31 Grants included in Non-Domestic Rates Income on CIES	(1,953)
(4,132)	Total Non-Ringfenced Grants included in CIES	(9,148)
2018/19 £'000	Credited to Services	2019/20 £'000
(13,923)	Rent Allowances	(12,364)
(13,916)	Rent Rebates	(12,161)
(172)	Discretionary Housing Payments	(179)
(391)	Housing Benefit Administration	(345)
(213)	New Burdens Grant Determination	(154)
(313)	DCLG – Rogue Landlords	0
(143)	Local Council Tax Support Admin Subsidy	0
(66)	Home Office	(56)
0	Towns Fund	(173)
(780)	Homeless Specific	(1,281)
(143)	Controlling Migration	0
(229)	Other Grants	(225)
(30,290)	Total Grants and Contributions credited to Services	(26,936)
(34,421)	Total Grants, Contributions and Donated Assets	(36,085)

There was one grant received in advance in 2019/20. This was accrued into 2020/21.

Note 38 – Related Parties

It is a requirement for the Council to disclose any transactions with a related party, including non-financial transactions. A 'related party' is defined as being an organisation with which the Council has dealings and where Officers or Members of the Council have a controlling interest or influence in the activities of that organisation. The code requires local authorities to disclose material transactions with 'related parties'. The disclosure is required in order that the true and fairness of the accounts can be understood by the reader of the accounts having knowledge of any 'related parties' of the Council.

Members/Officers - For 2019/20 the Council sent a letter, dated 1 April 2020, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, no Members or Officers declared pecuniary interests in accordance with section 117 of the Local Government Act 1972.

In addition, the table below details both Member and Officer representation on the boards of levying bodies, assisted organisations with which the Council makes material financial assistance and Joint Ventures.

Name of Organisation	Member Representative	Officer Representative
Upper Witham – Drainage Board	Cllr Hewson Cllr Vaughan	Chief Executive
Witham First – Drainage Board	Cllr Hewson Cllr Vaughan	Chief Executive
Witham Third – Drainage Board	Cllr Hewson Cllr Vaughan	Chief Executive
Lincoln Arts Trust	Cllr Murray	Director of Communities & Environment
Lincoln Dial-a-Ride/Shopmobility	Cllr Clayton-Hewson	Chief Executive
Lincoln Citizens Advice Bureau	Cllr Brothwell	Chief Executive
Investors in Lincoln	Cllr Metcalfe Cllr Murray	Chief Executive
Lincoln Business Improvement Group	Cllr Metcalfe Cllr Nannestad	Chief Executive
Central Lincolnshire Joint Strategic Planning Partnership	Cllr Metcalfe Cllr Burke Cllr Hanrahan	Director of Communities & Environment
The Shared Revenues & Benefits Joint Committee	Cllr Metcalfe Cllr Nannestad	Chief Executive

None of the above Members or Officers took part in the decision making of any financial assistance awarded to any of the organisations.

UK Central Government - has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of transactions with government departments are set out in note 37.

Other Bodies - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2019/20 were as follows:

2018/19		2019/20
£'000		£'000
433	Upper Witham Drainage Board	442
129	Witham 1 st Drainage Board	129
256	Witham 3 rd Drainage Board	257
818	Total	828

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

2018/19		2019/20
£'000		£'000
217	Lincoln Arts Trust	202
52	Lincoln Dial-a-Ride	52
56	Citizens Advice Bureau	56
32	Lincoln Shopmobility	32

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

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

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2019, showing net assets of £4.669m and a profit of £50,875. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

The Council is fully responsible for meeting the first £100,000 of any cumulative deficit on operating the managed workspace units. In the event that the cumulative deficiency exceeds £100,000 the Council shall meet 75% of the deficiency. In 2019/20 a surplus on the managed workspace units of £16,523 was attributable to the Council.

Details of amounts received from ILL during 2019/20 are shown below:

2018/19		2019/20
£'000		£'000
129	Property Management costs	132
90	Facility Fee	90
5	Management Fee	5

An amount of £16,818 was owed to ILL at 31st March 2020 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

Collaborative Agreements - The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as Jointly Controlled Operations, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Note 39 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically that has yet to be financed. The CFR is analysed in the second part of this note.

Total Capital expenditure and financing during the year:

2018/19		2019/20
£'000		£'000
	Capital investment	
38,007	Property, Plant and Equipment	21,448
50	Intangible Assets	55
897	Revenue Expenditure Funded from Capital under Statute	479
38,954		21,982
	Sources of finance	
(8,192)	Capital Receipts	(1,482)
(1,004)	Government grants and other contributions	(1,758)
(4,956)	Revenue Contributions	(202)
(13,160)	Major Repairs Reserve	(6,790)
11,642	Capital Financing Requirement	10,232
	Capital Financing Requirement - Funded by:	
11,642	Unsupported Borrowing	11,750
11,642		11,750

Analysis of movements in the Capital Financing Requirement in Year:

109,480	Opening CFR	120,130
11,642	Unsupported borrowing	11,750
0	Adjustments in respect of leases disposed under finance lease	0
(842)	Minimum Revenue Provision/Voluntary Revenue Provision	(995)
(150)	Application of capital receipts to reduce CFR	(150)
0	Other	(50)
120,130	Closing CFR	130,686

The Council has a five-year Housing Investment programme, of which £9.76m is contractually committed. This relates to a partnership arrangement to ensure all our properties continue to meet Decent Homes Standard and move towards achieving The Lincoln Standard.

In addition to this the Council also has a five-year General Investment Programme, of which £0.478m is contractually committed. £0.162m relates to land and property expenditure in 2020/21 with the remainder to allow completion of schemes for Artificial Grass Pitches (£0.188m), Allotment Capital Improvement Programme (£0.001m), IT and Telephony schemes (£0.033m) and Car Park improvements (£0.094m).

Note 40 – Leases

Council as Lessee

Finance Leases

The Council holds fleet vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

31/03/19		31/03/20
£'000		£'000
384	Vehicles, Plant and Equipment	192
384		192

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31/03/19		31/03/20
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
237	Current	105
105	Non-current	0
24	Finance costs payable in future years	2

	<u>Minimum Lease Payments</u>		<u>Finance Lease Liabilities</u>	
	31/03/19	31/03/20	31/03/19	31/03/20
	£'000	£'000	£'000	£'000
Not later than one year	258	107	237	105
Later than one year and not later than five years	108	0	105	0
Later than five years	0	0	0	0
	366	107	342	105

Operating leases

The Council has acquired the use of a number of assets, such as vehicles and buildings, under operating leases.

There are no future minimum lease payments due under non-cancellable leases in future years

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

RESTATED			
2018/19			2019/20
£'000			£'000
448	Vehicles Plant & Equipment		275
448	Minimum lease payments		275

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 2019/20.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for income generation purposes (investment properties)

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

2018/19		2019/20
£'000		£'000
2,286	Not later than one year	1,928
4,573	Later than one year and not later than five years	7,432
19,728	Later than five years	23,554
26,587		32,914

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2019/20, £0.381m contingent rents were received by the Council (2018/19 £0.335m).

Note 41 – Impairment Losses

There were no impairment losses during 2019/20.

Note 42 – Capitalisation of Borrowing Costs

As permitted by the code, the Council has adopted a policy of accounting for borrowing costs in the Comprehensive Income and Expenditure Statement as they arise. No borrowing costs are capitalised.

Note 43 – Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £0.036m (£0.050m in 2018/19) – see note 35 for the number of exit packages and total cost per band. These costs exclude any ill health retirements or departures as they are not termination benefits in accordance with the requirements of the code.

Note 44 – Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liability with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to go against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19 £'000		2019/20 £'000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Net Cost of Services:	
5,497	Current Service Cost	6,844
968	Past Service Costs (including curtailments)	0
	Financing and Investment Income and Expenditure:	
2,337	Net Interest Expense	2,451
8,802	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	9,295

2018/19 £'000		2019/20 £'000
	Re-measurement of the net defined benefit liability comprising:	
(7,155)	Return on plan assets (excluding the amount included in the net interest expense)	14,077
0	Actuarial gains and losses arising on changes in demographic assumptions	(8,342)
17,138	Actuarial gains and losses arising on changes in financial assumptions	(19,888)
62	Other	(9,520)
10,045	Total re-measurements recognised in Other Comprehensive Income and Expenditure	(23,673)
18,847	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(14,378)

2018/19 £'000		2019/20 £'000
<u>Movement in Reserves Statement</u>		
8,802	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,295
(4,015)	Actual amount charged against the General Fund Balance for pensions in the year:	(4,323)

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:

2018/19 £'000		2019/20 £'000
(240,313)	Present value of the defined obligations	(209,420)
139,623	Fair value of plan assets	127,431
<u>(100,690)</u>	Net liability arising from defined benefit obligation	<u>(81,989)</u>

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

2018/19 £'000		2019/20 £'000
130,801	Opening fair value of scheme assets	139,623
3,505	Interest Income	3,341
7,155	The return on plan assets, excluding the amount included in the net interest expense	(14,077)
4,015	Contributions from employer	4,323
902	Contributions from employees into the scheme	965
(6,755)	Benefits Paid	(6,744)
<u>139,623</u>	Closing Fair value of scheme assets	<u>127,431</u>

Reconciliation of Present Value of the scheme liabilities:

2018/19 £'000		2019/20 £'000
216,659	Opening balance at 1 April	240,313
5,497	Current Service Cost	6,844
5,842	Interest Cost	5,792
902	Contributions from scheme participants	965
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	(8,342)
17,138	Actuarial gains/losses arising from changes in financial assumptions	(19,888)
62	Other	(9,520)
968	Past Service Cost	0
(6,755)	Benefits Paid	(6,744)
<u>240,313</u>	Closing Balance at 31 March	<u>209,420</u>

Local Government Pension Scheme assets comprised:

2018/19 £'000		2019/20 £'000
1,539	Cash and Cash Equivalents	762
	Equity Securities by industry type:	
15,746	Consumer	5,563
5,684	Manufacturing	3,735
3,183	Energy and utilities	1,512
8,283	Financial Institutions	3,568
6,186	Information Technology	4,458
9,403	Health and Care	8,726
0	Other	1,301
48,485	Sub-total equity	28,862
	Debt Securities by Sector	
0	Corporate	0
0	Government	0
0	Other	0
0	Sub-total bonds	0
	Real Estate	
11,165	UK Property	10,643
878	Overseas Property	837
12,043	Sub-Total property	11,480
	Private Equity:	
1,465	All	1,103
1,465	Sub-Total private equity	1,103
	Investment Funds and Unit Trusts	
38,540	Equities	39,894
2,637	Infrastructure	23,815
16,802	Bonds	2,844
18,112	Other	18,671
76,091	Sub-Total Investment Funds and Unit Trusts	85,224
139,623	Total assets	127,431

Cash, Equity Securities and Investment Funds and Unit Trusts assets have quoted prices in active markets. The remaining assets, Real Estate and Private Equity do not have quoted prices in active markets.

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 Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

2018/19		2019/20
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
22.1	Men	21.4
24.4	Women	23.7
	<u>Longevity (in years) at 65 for future pensioners:</u>	
24.1	Men	22.4
26.6	Women	25.2
2.9%	Rate of increase in salaries	2.2%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

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.

	<u>Approximate % Increase to Employer Liability</u>	<u>Value £'000</u>
0.5% Decrease in Real Discount Rate	9%	19,325
0.5% Increase in the salary increase rate	1%	2,248
0.5% Increase in the pension increase rate	8%	16,889

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Employer contributions payable to the scheme in 2020/21 are estimated to be £4.341m.

Note 45 – Contingent Liabilities

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There are two contingent liabilities as at 31 March 2020.

As with other councils across the country a potential VAT liability exists in relation to an HMRC review of VAT treatment of market fees and the Council is liaising with their VAT advisor on this matter.

The Council has identified potential remediation liabilities within its property portfolio, the details of which require further clarification.

Note 46 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2020.

Note 47 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by the adoption of a Treasury Management Policy Statement and treasury management clauses within its standing orders;
- ✓ by approving, annually in advance, prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;

- Its maximum and minimum limits on the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 24th February 2020. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website (www.lincoln.gov.uk). The key issues during 2019/20 were:

- The Authorised Limit for 2019/20 was forecast to be £151m (revised to £148.45m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £137.4m (revised to £133.25m). This is the expected level of debt and other long-term liabilities during the year. The maximum amounts of fixed and variable interest rate exposure were set at £112.1m and £47.3m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

These policies are implemented by the Treasury team in Financial Services. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy are contained within the Treasury Management Strategy and can be found on the Council's website (www.lincoln.gov.uk).

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

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

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

The full Investment Strategy for 2019/20 was approved by full Council on 24th February 2020.

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 31/03/20	Historical experience of default	Adjustment for market conditions at 31/03/20	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	c	(a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	18,557	0.0000%	0.0000%	0
• AA-* rated counterparties (investments up to 1 year)	5,978	0.0005%	0.0005%	0
• A* rated counterparties (investments up to 1 year)	1,001	0.0024%	0.0024%	0
• A+* rated counterparty (investments up to 1 year)	5,073	0.011%	0.011%	1
Debtors	10,516	7.17%**	7.17%	754
	41,125			755

*See Glossary for a definition of ratings

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

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

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, historical default rates have been used as a good indicator under these current conditions.

Analysis of Investments by country of origin

	Principal invested	Short term		Long term	
		Fixed rate	Variable rate	Fixed rate	Variable rate
		£'000	£'000	£'000	£'000
<u>UK Local Authorities</u>					
South Somerset District Council	1,000	1,000	0	0	0
Peterborough City Council	3,000	3,000	0	0	0
Highland Council	2,000	2,000	0	0	0
<u>UK Banks & Building Societies</u>					
Lloyds TSB Bank plc	5,000	5,000	0	0	0
Santander	1,000	1,000	0	0	0
<u>UK Money Market Funds</u>					
Aberdeen Standard MMF	5,000	0	5,000	0	0
BNP Paribas MMF	1,450	0	1,450	0	0
Federated MMF	5,000	0	5,000	0	0
Black Rock MMF	5,000	0	5,000	0	0
Morgan Stanley MMF	2,100	0	2,100	0	0
Total Investments	30,550	12,000	18,550	0	0

The Council allows credit for its trade debtors, such that £1,587,643 of the £2,484,257 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/19		31/03/20
£'000		£'000
301	Less than three months	218
192	Three to six months	300
90	Six months to one year	203
676	More than one year	866
1,259	Total	1,588

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

Liquidity risk

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

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

provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows: -

31/03/19 £'000		31/03/20 £'000
21,475	Less than one year	11,459
9,500	Between one and two years	2,710
5,897	Between two and five years	2,669
<u>79,957</u>	More than five years	<u>105,069</u>
<u>116,829</u>	Total	<u>121,906</u>

Market risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

2018/19		2019/20
£'000		£'000
(137)	Increase in interest receivable on variable rate investments	(155)
(137)	Impact on Income and Expenditure Account	(155)
<hr/>		
(65)	Share of overall impact credited to the HRA	(60)
(72)	Share of overall impact credited to the General Fund	(95)
(137)	Total	(155)

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 £0.77m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, 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 (£0.268m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all held at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2018/19		2019/20
£'000		£'000
1,021	Balance on the HRA at the end of the previous year	1,025
4,821	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	11,901
(5,137)	Adjustments between accounting basis and funding basis under statute	(12,294)
(316)	Net increase or (decrease) before transfers to or from reserves	(393)
320	Transfers (to) or from reserves	364
<u>4</u>	Increase or (decrease) in year on the HRA	<u>(29)</u>
<u>1,025</u>	Balance on the HRA at the end of the current year	<u>996</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2020, totalled 7,761 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	895	560	539	2,037
2 Bed	5	117	81	103	306
3 Bed	0	0	12	1	13
Sub-Total	48	1,012	653	643	2,356
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	235	214	499
2 Bed	0	225	111	127	463
3 Bed	0	15	3	1	19
Sub-Total	0	290	349	342	981
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	56	138	0	194
2 Bed	0	30	72	0	102
Sub-Total	0	85	210	0	296
Houses / Bungalows					
1 Bed	158	143	32	23	356
2 Bed	728	765	97	323	1,913
3 Bed	804	545	70	296	1,715
4 or more Beds	96	21	0	28	144
Sub-Total	1,786	1,473	199	670	4,128
Total Dwellings 31 March 2019	1,834	2,861	1,411	1,655	7,761

Note 2 – Housing Revenue Account Assets Valuation

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

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

	£ 000
Vacant possession value of council dwellings at 31 March 2020	611,890
Balance sheet valuation applying the Social Housing discount factor	256,994

The Balance Sheet value of HRA Assets is as follows:

2018/19 £'000		2019/20 £'000
248,962	Council Dwellings	256,994
5,774	Other Operational Assets	6,158
16,663	Non-Operational Assets	17,658
271,399	Total at 31 March	280,809

Note 3 – Depreciation and Impairment

The Depreciation and Impairment of HRA Assets is as follows:

Depreciation:			2019/20 £'000
2018/19 £'000	Operational Assets:		£'000
5,842	Council Dwellings		6,337
364	Other Operational Assets		261
6,206	Total at 31 March		6,598
Impairment:			2019/20 £'000
2018/19 £'000	Operational Assets:		£'000
3,665	Revaluation Gains/(Losses)		5,851
3,665	Total at 31 March		5,851

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.

2018/19 £'000		2019/20 £'000
(12,842)	Balance on 1 April	(5,676)
	Amount transferred from the HRA	
	- Depreciation	
(5,842)	Dwellings	(6,337)
(364)	Other Assets	(309)
0	- Other revenue contributions	(3,637)
(19,048)		(15,959)
13,372	- HRA Capital Expenditure	6,790
(5,676)		(9,169)

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.

2018/19 £'000		2019/20 £'000
(624)	Balance on 1 April	(579)
	Expenditure in year	
3,244	Tenant Notified Repairs	3,274
2,042	Void Repairs	1,539
1,588	Servicing Contracts	1,688
585	Painting Programme	561
11	Asbestos Removal/Surveys	4
414	Aids & adaptations	415
39	Decoration Grants	55
1,074	Other Expenditure	1,134
8,997		8,670
	Income in year	
(8,997)	Contribution from HRA	(8,671)
	Contribution to HRA	
58	Reduction in Repairs Reserve	0
(1)	Contribution from Leaseholders	(1)
(12)	Interest Received in year	(16)
(8,952)		(8,688)
(579)	Surplus Balance on 31 March	(579)

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:

2018/19 £'000		2019/20 £'000
	Capital investment	
24,960	Property, Plant and Equipment – HRA	11,969
0	Property, Plant and equipment – GF used as council housing	0
0	Non-Current Assets held for sale	0
25	Intangible Assets	8
0	Revenue Expenditure funded from Capital under Statute	0
24,985		11,977
	Sources of funding	
(7,107)	Capital Receipts	(1,321)
(4,718)	Revenue Contributions	0
(13,160)	Major Repairs Reserve	(6,790)
0	Prudential Borrowing	(3,866)
(0)	Government grants and other contributions	(0)
(24,985)		(11,977)
0	Balance unfunded at 31 March	0

* 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 2019/20 (£0.000m in 2018/19).

Prior to the implementation of HRA Self-financing on 1 April 2012, supported borrowing levels had been issued annually by Central Government, authorising the Council to borrow monies, which were funded by Central Government to cover capital expenditure. Additionally, the Council was able to take out unsupported or prudential borrowing, which must be financed from its own resources. Post self-financing implementation and the end of the housing subsidy system, all borrowing will be prudential borrowing. In 2019/20, there was £3.866m of prudential borrowing undertaken to fund the HRA capital investment.

Note 7 - Capital Receipts

The cash receipts from the disposal of land, houses and other property within the HRA in the year are summarised as follows:

2018/19 £'000		2019/20 £'000
(2,002)	Council dwellings	
0	- Right to Buy	(2,946)
	- Discounts repaid	0
	Other Receipts	
	- Land Sales reimbursements	
(70)	- Reimbursement of expenditure on General Fund property on sale	(62)
(2,072)	Land receipts	(3,008)
760	Less Pooled (Paid to Central Government)	729
(1,312)	Total	(2,279)

Note 8 - Rent Arrears

During the year 2019/20 total rent arrears increased by £0.080m or 4.34%, to £1.925m. A summary of rent arrears and prepayments is shown in the following table:

2018/19 £'000		2019/20 £'000
901	Current Tenant Arrears @ 31 March	956
944	Former Tenant Arrears @ 31 March	969
1,845	Total Rent Arrears	1,925
(312)	Prepayments @ 31 March	(430)
1,533	Net Rent Arrears	1,495

A bad debt provision of £285,312 has been made in this year's accounts in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of the bad debt provision held in the Balance Sheet at 31 March 2020 is £1.778m (£1.664m at 31 March 2019).

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:

2018/19		2019/20
£'000		£'000
HRA Income & Expenditure Statement		
1,897	Current Service Cost	2,519
0	Past Service Costs	0
879	Net interest expense	947
<u>2,776</u>	Total	<u>3,467</u>
<u>(1,510)</u>	Amount to be met from HRA	<u>(1,671)</u>
<u>1,266</u>	Movement on Pension Reserve	<u>1,796</u>

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

2018/19 £'000 Total		2019/20 £'000 Council Tax	2019/20 £'000 NDR	2019/20 £'000 Total	Note
INCOME					
(41,617)	Council Tax Payers	(44,185)	0	(44,185)	2
(103)	Income from Ministry of Defence	(112)	0	(112)	
(43,462)	Income from Business Ratepayers	0	(44,375)	(44,375)	3
(85,182)		(44,297)	(44,375)	(88,672)	
EXPENDITURE					
Precepts:					
6,393	- City of Lincoln Council	6,679	0	6,679	
29,485	- Lincolnshire County Council	31,405	0	31,405	
5,206	- Police & Crime Comm. Lincolnshire	5,865	0	5,865	
Business Rates:					
35	- Payments to Government	0	21,028	21,028	3
26,032	- Payments to City of Lincoln Council	0	16,791	16,791	3
17,355	- Payments to Lincs County Council	0	4,198	4,198	3
145	- Cost of Collection	0	145	145	
Bad and Doubtful Debts					
202	- Provisions	171	(165)	6	
202	- Write Offs	210	546	756	
(2,165)	- Provision for appeals	0	210	210	
1,268	Transfer of Collection Fund Surplus	268	2,464	2,732	4
84,158		44,598	45,217	89,815	
(1,024)	Deficit / (Surplus) for the year	301	842	1,143	
COLLECTION FUND BALANCE					
(1,029)	Balance brought forward at 1 st April	(471)	(1,581)	(2,051)	
(1,024)	Deficit/(Surplus) for the year (as above)	301	842	1,143	
(2,053)	Balance carried forward at 31st March	(170)	(739)	(908)	
Allocated to:					
(1,090)	- City of Lincoln Council	(26)	(118)	(144)	
(1,071)	- Lincolnshire County Council	(121)	191	70	
(62)	- Police & Crime Comm. Lincolnshire	(22)	0	(22)	
170	- Government	0	(809)	(809)	
(2,053)		(169)	(736)	(905)	

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 2019/20, the City of Lincoln ended the 'pilot' scheme it was part of in 2018/19 which meant its retained share reverted back to that of previous years as follows:

	2018/19 'Pilot'	2019/20 'Pool'
City of Lincoln	60%	40%
Lincolnshire County Council	40%	10%
Central Government	0%	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 2019/20 was 24,300 (23,943 in 2018/19). 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 2019/20 was approved at the Executive on 7th January 2019 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	0	58	31
A	6/9	27,573	22,479	14,986
B	7/9	8,878	7,610	5,920
C	8/9	4,899	4,359	3,875
D	9/9	2,530	2,277	2,277
E	11/9	1,282	963	1,177
F	13/9	402	360	521
G	15/9	135	132	220
H	18/9	45	7	14
Total		45,744	38,245	29,020
Deduction for Non-Collection				(363)
Crown Properties Adjustment				60
Adjusted to Band D Equivalent				28,717
Council Tax Relief Scheme				(4,418)
Tax Base for the Calculation of Council Tax				24,299

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 2019/20 was £44.185m (£41.616m in 2018/19).

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 2019/20, the City of Lincoln ended the 'pilot' scheme it was part of in 2018/19 which meant its retained share reverted back to that of previous years as follows:

	2018/19 'Pilot'	2019/20 'Pool'
City of Lincoln	60%	40%
Lincolnshire County Council	40%	10%
Central Government	0%	50%

The business rates shares payable for 2019/20 were estimated before the start of the financial year as **£20,989m** (£0.035m in 2018/19) to Central Government, **£4,198m** (£17.355m in 2018/19) to LCC and **£16,791m** (£26.032m in 2018/19) to the City of Lincoln Council. These sums have been paid in 2019/20 and charged to the Collection Fund in year. The significant changes to these values between financial years is due to being in a 'pilot' scheme in 2018/19.

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. City of Lincoln Council was part of the Lincolnshire NNDR Pilot in 2018/19 alongside Lincolnshire County Council, North Lincolnshire Council and the other 6 Lincolnshire District Councils. In 2019/20 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of **£12.884m** (£12.471m in 2018/19).

The total income from business rate payers collected in 2019/20 was **£44.375m** (£43.462m in 2018/19).

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 **£3.472m** (£4.071m in 2018/19). 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 2019/20.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31st March 2020. 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 2019/20 has been calculated at £0.210m (£2.165m was added in 2018/19).

For 2019/20, the total non-domestic rateable value at the year-end is **£112.7m** (£112.1m in 2018/19). The national multipliers for 2019/20 were **49.1p** for qualifying Small Businesses, and the standard multiplier being **50.4p** for all other businesses (48.0p and 49.3p respectively in 2018/19).

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 2019 it was estimated that the Collection Fund would have a Council Tax surplus of **£0.268m** (£0.188m in January 2018) and a Business Rates surplus of **£2.464m** (£1.081m deficit in January 2018), a combined Collection Fund surplus of **£2.732m** (£1.269m deficit in January 2018) and so the following amounts were due to or from the preceptors in 2019/20:

2018/19		2019/20
£'000		£'000
(462)	City of Lincoln Council	(1,588)
(243)	Lincolnshire County Council	(1,279)
(24)	Police & Crime Comm. Lincolnshire	(34)
(540)	Central Government	169
(1,269)	Total	(2,732)

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

❖ 1 The council's responsibility for sound governance

1.1 Scope of responsibility

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised.

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control).

How we are meeting these defined responsibilities is detailed in the Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. www.lincoln.gov.uk

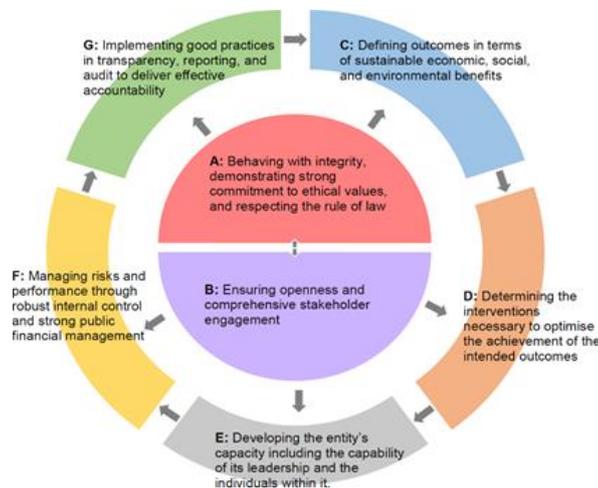
The council's Code of Corporate Governance, comprehensively reviewed in 2017, is updated annually. The last update took place in April 2019, with the 2020 review has been delayed due to the COVID-19 pandemic. A more comprehensive review will be undertaken in 2020/21 to take account of any potential longer-term changes arising from the impact of COVID-19.

This Annual Governance Statement details how the city council has complied with its own Code of Corporate Governance over the last year and meets the statutory requirements for all relevant bodies to prepare such a statement. It also includes a section on the impact on the council, and actions taken as a result, of the COVID-19 pandemic.

For a glossary of terms used – see Appendix B

1.2 The Code of Corporate Governance sets out the documentation, systems and processes by which the authority transparently controls its activities and defines its cultures and values. It enables us to monitor achievement of our strategic objectives and to consider whether these have led to the delivery of appropriate value for money services.

The code is based on a set of seven core principles:



1.3 Responsibility rests within a range of areas – the key ones are detailed in the table below:

KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK Key elements of the governance framework at City of Lincoln Council are summarised below:		
Council, Executive, Leader <ul style="list-style-type: none"> ❖ Provide leadership; set, develop and implement policy ❖ Ensure the Vision 2020 and Vision 2025 strategies are taken forward ❖ Develop, adopt and implement the budget framework ❖ Support the city's diverse communities and neighbourhoods to thrive 	Leadership and decision making <ul style="list-style-type: none"> ❖ All decision meetings held in public (except those identified as 'part B') ❖ Decisions recorded on the council's public website ❖ Resources directed according to priorities as set out in Vision 2020 and Vision 2025 	Risk management <ul style="list-style-type: none"> ❖ Risk registers identify both operational and strategic risks ❖ Strategic risks are considered by CMT and Executive every quarter ❖ Internal audit provides independent objective assurance ❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit
Scrutiny and review <ul style="list-style-type: none"> ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct ❖ Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision 	Corporate Management Team (CMT) <ul style="list-style-type: none"> ❖ The 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 legality, good governance and promoting high standards of conduct 	

1.4 In the following sections the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months. The first of these sections covers how the council has maintained

good governance during the COVID-19 pandemic – some of the activities mentioned are also mentioned under the core principles.

1.5 Impact of COVID-19 and maintaining good governance

As with all councils the COVID-19 pandemic has caused major disruption to the day to day work of the council, including cancellation of committee meetings, and changing priorities to protect our most vulnerable residents and local businesses. This has meant there has been a need to initiate business continuity procedures as well as introducing new or varied governance arrangement in some areas. In addition it has been necessary to vary the process followed to produce the Annual Governance Statement for 2019/20 from that referred to in the Code of Corporate Governance.

Actions taken to address the impact of the COVID-19 pandemic:

- Co-ordinated response to the pandemic working with Lincolnshire Local Resilience Forum
- Review of governance arrangements following introduction of the Coronavirus Act 2020, including introduction of virtual council and other key meetings
- Prioritisation of resources to ensure ongoing provision of key services
- Development of a befriending and community help service to support the most vulnerable, including council tax support discounts
- Reallocation of teams to support COVID-19 response, e.g. Audit and Policy Teams
- Support for local businesses in applying for business ratepayers discounts and business grants payments
- Initial response to the pandemic in terms of delivery of critical services, protection of staff, support for community and vulnerable persons, impact on the local economy and financial impacts on the council
- Several HR interim procedures and checklists for managers were introduced to support employees working from home and support their health and wellbeing

Proposed activity for the coming year:

- Development of activities to support the city and high street, including leading on multi-agency partnership to support high street recovery.
- One Council – under the Organisational Development pillar we will be putting processes in place and revising policies as required in response to COVID-19, particularly around work styles and support for staff and members to ensure we have the governance in place to make sure these new ways of working and new activities are fit for purpose
- Implementation of ongoing support of community and vulnerable persons through working with partner organisations
- Re-establishment of committee meetings via electronic means to ensure democratic responsibility
- Development of policies and procedures to enable delivery of services, including critical services, whilst ensuring protection of staff and customers.

- Transfer of befriending service to voluntary sector organisations
- Ensure processes in place to enable businesses in the city to access support, e.g. Environmental Health Officer utilising legal powers to manage re-opening of businesses under COVID-19
- Management of the financial impacts of COVID-19
- Performance report for Q4 2019/20 to take the form of a review of 2019/20 including our COVID-19 response
- Combined Q1 and Q2 Performance report to help assess impact of COVID-19
- Review of Vision 2025 Year 1 Delivery Action Plan to focus on remobilising services, savings, legacy projects and further developing One Council
- Review of actions taken, and lessons learned from response to the COVID-19 pandemic
- Many of these actions are covered under the key principles below and further activities will be identified once the council emerges from the current recovery stage

1.6 CORE PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Ethical values, standards and formal codes of conduct are defined in the council's constitution and form the basis for developing our policies, procedures and actions as well as for the behaviour of our members and staff. We have appropriate processes in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the staff rights. All council decisions consider legal and equality implications with support from Legal Services.

Our Audit Committee (which includes an independent member) provides assurance on the adequacy of the internal control environment, by ensuring high standards of conduct are embedded within the council's culture, monitoring governance issues raised and overseeing internal and external audit arrangements.

Activity within Principle A in 2019/20:

- Member induction for those new Members elected in May 2019
- Anti-bribery Policy reviewed and approved
- Whistleblowing Policy and Guidance updated
- Member Code of Conduct updated and approved
- New website launched
- Safeguarding Policy approved
- Modern Slavery Charter and Statement reviewed
- Equality Objectives for 2020-24 developed and approved by Executive

Proposed activity for the coming year:

- Update Code of Corporate Governance

- Re-establish regular portfolio holder meetings following COVID-19
- Update member code of conduct in accordance with government guidelines
- The internal audit plan was approved by Corporate Management Team but due to COVID-19 a revised audit plan will be developed and presented to the Audit Committee in September 2020.
- Further activities to be identified once the council emerges from the current recovery stage

1.7 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The council makes sure our partners, in the private, public and voluntary sector as well individual citizens and service users are engaged in and have full access to information relating to decisions made. We expect reports to decision makers to be open, provide all the necessary material to ensure informed decisions in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration.

Activity within Principle B in 2019/20:

- Consultation conducted in January 2020 on Vision 2025 with residents and businesses
- Consultation with residents, elected members and staff on Equality Objectives
- Engagement with the voluntary sector on Equality Action Plan
- Equality Objectives for 2020-24 developed and approved
- Annual staff roadshows
- Daily briefings to staff during COVID-19 emergency

Proposed activity for the coming year:

- Review Consultation and Engagement Strategy
- Consultation with Befriending Service users prior to transfer to alternative providers
- Citizen Panel consultation regarding High Street recovery to inform action plan
- Undertake consultation in respect of repurposing of Vision 2025
- Further activities to be identified once the council emerges from the current recovery stage

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

Vision 2020 was a three-year strategy and delivery plan, developed using an evidence base from the Lincoln City Profile and following wide consultation, with an inclusive vision to deliver Lincoln's ambitious future, and the forerunner to the current strategic plan, Vision 2025. It highlighted four priorities for the city, acknowledging that the council could not deliver everything needed by itself and must work in partnership and collaboration to achieve the ambitious plans. These were:

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

These priorities were underpinned by the need to deliver 'Professional high performing services'.

Progress towards achieving the vision, aligned with the key priorities, was reported to and monitored by senior management and elected members. Service areas within directorates, and under the guidance of assistant directors, were responsible for delivering individual projects to agreed timescales and budgets, with consideration for economic, social and environmental benefits which collectively will achieve our priorities.

Vision 2020 has now been replaced by Vision 2025, the council's vision for the next five years to 2025. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses. The priorities in Vision 2025 remain broadly similar, but with the addition of a priority to address the challenges of climate change:

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

Activity within Principle C in 2019/20:

- Approval of the MTFS which is a financial representation of the council's Vision 2020 and the new Vision 2025
- Ongoing implementation on the place strategy for Park Ward/Sincil Bank, highlighted as an area for regeneration. Three key strands of work are underway.
- Ongoing development for embedding sustainability over the next 3 to 5 years
- Plans developed to improve Lincoln Crematorium
- Celebrating Vision 2020 published, detailing progress made against priorities within the council's strategic plan for 2017-20, Vision 2020.
- Vision 2025, the council's strategic plan for 2020-25 developed and adopted
- One Council programme established
- Participant in Business and Economy recovery cell for Greater Lincolnshire and Rutland with six-month economic recovery plan developed.

Proposed activity for the coming year:

- Repurpose Vision 2025 to support the recovery of the city and council economically and ensure community support
- Review the delivery plan for Vision 2025 to take account of the impact on the council of COVID-19.

- Working closely with Lincolnshire Resilience Forum partners to support recovery
- Lead on implementation of Business and Economy Recovery Cell short term forward plan for construction sector and place marketing.
- Develop 5 year recovery plan linked to Town Investment Plan for the City.
- Key partner in Infrastructure Recovery Cell covering Lincolnshire, which includes housing, to ensure infrastructure is in place enabling growth plans to be implemented
- Sign up to civic university agreement with BGU and Lincoln University

1.9 **CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Whilst service plans for 2020/21 have not been completed work is ongoing to ensure robust service management as we enter the recovery stage. All projects are subject to the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

The council's financial management arrangements ensure that there is adequate resource available to deliver plans. The council reviews progress against delivering those outcomes through its performance management framework.

Activity within Principle D in 2019/20:

- Ongoing implementation of the Capital Programme Group to ensure financial responsibilities in all capital projects are conducted correctly
- The TFS programme Team has worked on a phase 7 programme to meet the increased MTFS savings target
- Development of One Council – Scopes defined for four pillars – Organisational Development, Value Processes, Use of Assets and Technology
- Pilot of Office 365
- Pilot of desktop refresh
- Technology introduced to adapt to COVID-19
- Review of workstyles to understand technology required
- Refreshed infrastructure platform

Proposed activity for the coming year:

- Conduct a PIR on implementation of the Lincoln Project Management Model
- Development of TFS programme incorporating impact of COVID-19 emergency
- Refresh of Vision 2025 and identification of actions to be brought forward in the delivery plan

- Complete roll out of Office 365
- Complete desktop refresh
- Look at investment in IT required to support new ways of working
- Establish micro-sites for key services, e.g. Christmas Market, Building Control, Visitor services.
- Identify top 10 interactions with customers and move to online forms where possible to take pressure off contact centre.
- Housing repairs online pilot – to enable booking of repairs online.
- Review of my-info.
- Further activities to be identified once the council emerges from the current recovery stage

1.10 CORE PRINCIPLE E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. We have a programme in place under the organisational development pillar of our One Council approach which will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city and is effectively engaged to champion the council’s priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2020 objectives.

Activity within Principle E in 2019/20:

- More HR policies have been reviewed with training delivered to managers
- Policies put in place to cover home working during COVID-19 emergency
- Continued HR line management briefings
- Needs analysis to be completed on Leadership Development
- Staff consultation on the new staff charter
- Daily briefings from Chief Executive during COVID-19 emergency
- Ongoing implementation of the People Strategy
- Development of One Council pillars – Organisational Development and Create Value Processes, including piloting Office 365 and remote working and introduction of Microsoft Teams for all staff
- Commissioned consultants to undertake a review of space at City hall and Hamilton House to support new ways of working
- Visitor information centre successfully brought back in house

Proposed activity for the coming year:

- Adapt our policies and procedures to ensure we adopt new ways of working moving forward in the immediate and longer term
- Further review of space at City Hall and Hamilton House following COVID-19. This will also include community centres and other buildings
- Look at ways to increase and strengthen City hall as a public sector hub
- Further activities to be identified once the council emerges from the current recovery stage

1.11 CORE PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

Activity within Principle F in 2019/20:

- A successful savings and income generation programme was developed and implemented to address reductions in central government funding in 2019/20.
- Increase the level of purchase order usage across the authority to ensure full control
- Development of One Council activities
- Development of the quarterly dashboard report for Executive members and senior officers summarising progress with key strategies, strategic plan projects, risk governance and performance
- Publication of Celebrating Vision 2020, reporting on our strategic plan for 2017-20
- The External auditor issued an unqualified opinion on the authority's 2018/19 final statement of accounts although further areas of development were identified. This included significant improvements in the close down of accounts from the previous financial year.

Proposed activity for the coming year:

- Continuing to develop the council's response to the emerging financial situation including, ensuring strong financial management to make sure that we manage public funds correctly, e.g. revised budget estimates, TFS programme, expenditure control budget review process, lobbying strategy.
- A key piece of work will be to review control systems to ensure they continue to be fit for purpose with the new ways of working
- Development of measures to report progress on Vision 2025

- Further activities to be identified once the council emerges from the current recovery stage

1.12 CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in an open, transparent and proportionate manner. Performance is managed under the principles of the Performance Management Framework

Activity within Principle G in 2019/20:

- Launch and content management of new website
- Introduction of PIMS, a new performance management system

Proposed activity for the coming year:

- Further development of the performance management system
- Review of Lincoln Performance Management Framework
- Due to COVID-19 a revised audit plan will be developed and presented to the Audit Committee in September 2020.
- Further activities to be identified once the council emerges from the current recovery stage

2 Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2018/19. The 2019/20 assessment has been delayed in order to consider any new requirements arising following the COVID-19 pandemic.

The Head of Internal Audit is required annually to give an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. For 2019/20 substantial (green) assurance was provided over governance, risk management and internal control.

Supporting this assessment is the detailed work undertaken by Internal Audit during the course of the year. Whilst this identified a number of minor issues none were considered significant enough to highlight any significant governance issues.

There was one limited assurance report on Project Management. The recommendations in this audit were already being addressed as part of the Post Implementation Review of the Lincoln Project Management Model. This is not considered a significant issue but will be monitored by Corporate Management Team over 2020/21 as a post implementation review of project management arrangements is currently in progress.

There were three areas of combined assurance assessed as red, but the risks have been managed and they are no longer considered significant.

As at March 2020 there were a number of high priority audit recommendations both made and outstanding. Outstanding agreed actions were in respect of the following: ICT Mobile Devices, Tenancy Services, HMO licensing, IT applications and Malware/anti-virus user training. Progress towards addressing these recommendations will be monitored through existing monitoring arrangements and none are considered as significant governance issues.

3 Level of assurance provided

We can provide a high level of assurance that the governance arrangements operating at City of Lincoln Council, in line with our Code of Corporate Governance are appropriate, fit for purpose and working well in practice.

4 Status of significant governance issues monitored from 2018/19

The council has regularly monitored its 2018/19 significant governance issue through senior management and the Audit Committee during 2019/20. One issue was identified for monitoring:

- **The Disaster Recovery plan in place for IT arrangements:** during 2019/20 significant progress was made towards alignment with the Business Continuity plans that are in place for restoring key services in terms of IT needs. Overall, all but one action has been completed.

5 Significant governance issues identified from 2019/20

Significant issues carried forward from 2018/19 – As noted above there was one significant governance issue monitored during 2019/20 which still remains as an issue for monitoring during 2020/21:

- **The Disaster Recovery plan in place for IT arrangements** is not sufficiently aligned with the Business Continuity plans that are currently in place for restoring key services in terms of IT needs.

There is already an action plan in place for addressing this significant issue and all but one of the 35 actions have now been completed. The outstanding action relates to the full implementation of the secondary data site which is in progress. Progress on this action will be reported regularly to Audit Committee.

New significant issues identified from 2019/20 – In terms of new significant governance issues the following two additional issues have been identified:

- **Review of impact of Coronavirus on the council's service delivery and embedding new ways of working for staff.** COVID-19 has had a significant impact on the council's budget resulting in the need to undertake a comprehensive review of how and what services are delivered ensuring our statutory requirements are met. The council was already undertaking a pilot to enable more agile working and with the lockdown the council fast tracked this approach and the council now needs to review the effectiveness of working conditions for staff and members and look to the future. The issue is that we will need to ensure that as the council develops its different approaches to service delivery and new ways of working it ensures governance is at its heart, recognising that governance arrangements may need to adapt and change in order that they remain fit for purpose in the new world.
- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19.** The strategy was adopted but there was no formal public launch due to COVID-19. The council's response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there

is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely. This process started in late August 2020.

Several lesser concerns were raised during the process of developing this statement and these will be passed to the Corporate Management Team for quarterly monitoring alongside performance and reported to Leadership.

6 Conclusion

The council's governance arrangements are under continual review and refinement. The council will monitor improvement plans for its significant governance issues quarterly and report progress in the next annual review.

Signed



Leader (Cllr Ric Metcalfe) **Date:** 17th August 2020



Chief Executive (Mrs Angela Andrews) **Date:** 17th August 2020

GLOSSARY OF TERMS USED IN THE GOVERNANCE STATEMENT

AGS	Annual Governance Statement
CFO	Chief Finance Officer
CMT	Corporate Management Team
CX	Chief Executive
HMO	Houses in Multiple Occupation
HR	Human Resources
ICT	Information and Communications Technology
LPMM	Lincoln Project Management Model
MTFS	Medium Term Financial Strategy
PIMS	Performance Information Management System
PIR	Post Implementation Review
TFS	Towards Financial Sustainability
Vision 2020	The council's strategic plan 2017-20
Vision 2025	The council's strategic plan 2020-25

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.

INFRASTRUCTURE ASSETS

Assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

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 (PWL B)

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.