



# STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022



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

### **The Statement of Accounts**

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

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

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

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

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

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

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

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

**The Core Financial Statements**, comprising:

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

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

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

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

**The Supplementary Statements**, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Performance**

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

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

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

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

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

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

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

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



## **Revenue Income and Expenditure**

### **General Fund**

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

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

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

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

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

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

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

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

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

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



### **Housing Revenue Account**

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

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

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

The impacts have been through:

- A lack of labour force in the Housing Repairs Service

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

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

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

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

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

## Capital Expenditure

(Note 39)

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

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

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

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

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

## Capital Financing

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

### Capital Receipts (Note 9)

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

### Major Repairs Reserve (Note 9)

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



### Long Term Borrowing (Note 18)

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

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

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

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

### **Total Borrowing Outstanding**

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

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

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

### **Pension Costs**

(Note 44)

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

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

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

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

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

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

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



### **Future Plans**

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

The Council's vision for 2025 remains as;

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

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

The five strategic priorities are:

- Let's drive inclusive economic growth

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

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

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

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



## General Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Capital Expenditure**

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

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



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

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

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

## **Cash flows**

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

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

## **Summary**

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

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

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



## **Group Accounts**

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



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

## **Further Information**

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

J Gibson FCCA  
Chief Finance Officer  
(Section 151 Officer)

## COUNCIL APPROVAL

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

Councillor Rosie Kirk  
Chair of Council

Date:

## THE STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required:

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

### The Chief Finance Officer Responsibilities

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

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

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

The Chief Finance Officer has also:

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

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

J Gibson FCCA  
Chief Finance Officer  
Date: xxx 2022

## MOVEMENT IN RESERVES

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

## MOVEMENT IN RESERVES

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 21</b>	<b>2,668</b>	<b>26,043</b>	<b>1,074</b>	<b>14,139</b>	<b>4,511</b>	<b>4,026</b>	<b>52,461</b>	<b>174,723</b>	<b>227,184</b>
<b>Movement in reserves during 2021/22</b>									
Surplus or (deficit) on provision of services	(3,412)	0	22,336	0	0	0	<b>18,924</b>	<b>0</b>	<b>18,924</b>
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	<b>0</b>	<b>29,235</b>	<b>29,235</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,412)</b>	<b>0</b>	<b>22,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,924</b>	<b>29,235</b>	<b>48,159</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	(4,453)	0	(22,054)	5,948	1,196	(1,929)	<b>(21,292)</b>	<b>21,292</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers (to)/from Reserves</b>	<b>(7,865)</b>	<b>0</b>	<b>282</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>1,474</b>	<b>45,502</b>	<b>46,976</b>
Transfers (to)/from Earmarked Reserves	7,400	(7,068)	(332)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>(465)</b>	<b>(7,068)</b>	<b>(50)</b>	<b>5,948</b>	<b>1,196</b>	<b>(1,929)</b>	<b>(2,368)</b>	<b>50,527</b>	<b>48,159</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>2,203</b>	<b>18,976</b>	<b>1,025</b>	<b>20,087</b>	<b>5,707</b>	<b>2,097</b>	<b>50,095</b>	<b>225,248</b>	<b>275,344</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

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

## BALANCE SHEET AS AT 31 MARCH 2022

31 March 2021 £'000		Notes	31 March 2022 £'000
393,123	Property, Plant & Equipment	14,39,41	416,478
2,768	Heritage Assets	15	2,768
34,203	Investment Property	14,16	36,016
191	Intangible Assets	14,17,39	207
753	Long Term Investments	18,47	816
837	Long Term Debtors	18,47	724
<b>431,875</b>	<b>Long Term Assets</b>		<b>457,009</b>
0	Assets Held for Sale	22	1,500
33,907	Short Term Investments	18,47	49,878
139	Inventories	19	104
563	Cash at Bank	21	0
28,389	Short Term Debtors	18,20,47	24,916
<b>62,998</b>	<b>Current Assets</b>		<b>76,398</b>
0	Cash and Cash Equivalents	18,21,47	(103)
(9,418)	Short Term Borrowing	18,47	(14,932)
(33,814)	Short Term Creditors	18,23,47	(43,929)
<b>(43,232)</b>	<b>Current Liabilities</b>		<b>(58,964)</b>
0	Long Term Creditors	18,47	0
(2,578)	Provisions	24	(2,197)
(115,738)	Long Term Borrowing	18,47	(111,962)
(106,140)	Other Long-Term Liabilities	44	(84,939)
<b>(224,456)</b>	<b>Long Term Liabilities</b>		<b>(199,099)</b>
<b>227,184</b>	<b>Net Assets</b>		<b>275,343</b>
52,461	Usable reserves	10,25	50,094
174,723	Unusable Reserves	26	225,249
<b>227,184</b>	<b>Total Reserves</b>		<b>275,343</b>

## CASH FLOW STATEMENT

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

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## NOTES TO THE ACCOUNTS

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

### Note 1 – Accounting Policies

#### 1. General Principles

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

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

#### 2. Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **7. Employee Benefits**

### **Benefits payable during employment**

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

## **Termination benefits**

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

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

## **Post-Employment Benefits**

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

## **The Local Government Pension Scheme**

The Local Government Scheme is a defined benefits scheme.

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

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

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

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

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

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

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

### **Discretionary Benefits**

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

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

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

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

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

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

## **9. Financial Instruments**

### **Financial Liabilities**

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

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

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

## **Financial Assets**

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

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

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

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

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

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **10. Foreign Currency Translation**

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

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

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

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

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

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

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

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

### **Business Improvement Districts**

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

### **Community Infrastructure Levy**

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

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

## **12. Intangible Assets**

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

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

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

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

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

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

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

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

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

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

### **15. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## **16. Joint Operations**

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

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

## **17. Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is

required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

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

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

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

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

Assets that have physical substance and are held for use in the supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, with a de-minimis level of £10,000.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. Repairs and maintenance) is charged as an expense when it is incurred. Generally, a de-minimis level of £10,000 is applied however qualifying expenditure on assets which is lower than £10,000 but where the asset value exceeds this is recognised as capital expenditure.

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the

Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- Dwellings and Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer

- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

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

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

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

## **20. Heritage Assets**

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

- Civic Insignia
- Art and Sculptures
- Ancient Monuments and War Memorials
- Miscellaneous

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

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

### **• Civic Insignia**

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

### **• Art and Sculptures**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

### **Heritage Assets – General**

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

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

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

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

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

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

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

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

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

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

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **23. Reserves**

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **25. VAT**

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

## 26. Fair Value

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

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

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

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

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

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

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

These changes are not expected to have a material impact.

### Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- **Local Government funding** - There is a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate.
- **Group Boundaries** - The Council has a collaborative arrangement with Lincolnshire County Council, North Kesteven and West Lindsey District Council to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as a Joint Operation, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.
- **Leases** - The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

#### Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Business Rates</b>  (Balance Sheet 31 March 2022 – Provision for Business Rate Appeals £2.067m)	Since the introduction of the Business Rates Retention Scheme effective from April 2013, local authorities are liable for successful appeals against business rates charges to businesses in 2021/22 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31 <sup>st</sup> March 2021. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date.	The Council's share (40%) of the balance of business rates appeals as at 31 March 2022 amounted to £2.067m, a decrease of £0.381m (16%) from the previous year.  An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.207m.
<b>Property, Plant and Equipment (PPE)</b>  (Balance Sheet 31 March 2022 – PPE £416m)	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.  Operational property assets are valued at the Balance Sheet date in accordance with the Royal Institute of Chartered Surveyors valuation standards and guidance. This involves the use of a number of estimation techniques including various property indices. These estimates can fluctuate as property market values and prices change in response to events.	If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.0743m and for council dwellings £0.237m for every year that the useful lives had to be reduced.  The Gross Book Value (GBV) of the Council's operational property assets is £416m at 31 March 2021. A 1% change in these asset valuations would result in a £4.16m change in their GBV.
<b>Assets held for sale and investment properties</b>	Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed	A 1% reduction in the value of investment properties and assets held for sale would result in a

(Balance Sheet 31 March 2022 - assets held for sale £1.5m - Investment properties £36m)	market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.	charge to the Comprehensive Income & Expenditure Statement of £0.375m; a 1% increase in value would result in the recognition of a gain of £0.375m in the Comprehensive Income & Expenditure Statement.
<b>Arrears</b>  Balance Sheet 31 March 2022 - Debtors total of £29.054m includes £4.133m debtors (subject to arrears)	As at 31 March 2022, the Council had a balance on current debtors of £29.054m. A review of significant balances suggested that an impairment of doubtful debts of £4.133m was required.	If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.21m to be set aside as an allowance.
<b>Pension Liability</b>  (Balance Sheet 31 March 2022 - pensions liability £86.122m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Barnett Waddington) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.578m.
<b>Investments</b> (Balance Sheet 31 March 2022 Short Term - £49.878m Long Term - £0.816m)	At 31 March 2022, the Council held £49.878m of short term investments. These comprise £28.8m invested in AAA-rated instant access Money Market Funds and £21m invested in A-rated UK institutions, all for periods of up to 1 year.	As most of the investments are either in AAA-rated MMF's or short-term deposits in A-rated UK banks, the risk of impairment is considered to be minimal.
<b>Pension Fund Property Investment Assets</b> Balance Sheet 31 March 2022 – Share of Other Net Long-Term Liability £12.675m	The Council's net pension liability and disclosed at note 44 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets. The valuation of the Fund's property investment assets may be impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global.	Less certainty and a higher degree of caution should be attached to the Council's share of these pension fund assets. The Council's actuary has estimated that the value of the Council's share of these property investment assets at 31 March 2022 was £12.675m.

#### Note 5 – Prior Period Adjustment

None

#### **Note 6 – Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 6<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 – Expenditure and Funding Analysis

2020/21					2021/22				
Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Movement of Trading A/C's & Levies etc.	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
5,848	(954)	2,509	7,403	Chief Executive's Directorate	6,710	(1,021)	1,741	7,430	
212	0	326	538	Housing and Regeneration	397	0	472	869	
(4,034)	0	(15,469)	(19,503)	Housing Revenue Account (HRA)	(1,643)	0	(19,962)	(21,605)	
6,601	0	4,869	11,470	Communities and Environment	6,556	0	4,126	10,682	
409	0	160	569	Major Developments	687	0	209	896	
(295)	850	(1,176)	(621)	Corporate Services	(389)	871	(1,358)	(876)	
<b>8,742</b>	<b>(104)</b>	<b>(8,782)</b>	<b>(144)</b>	<b>Net Cost Of Services</b>	<b>12,318</b>	<b>(150)</b>	<b>(14,772)</b>	<b>(2,604)</b>	
(23,704)	104	11,170	(12,430)	Other Income and Expenditure	(4,737)	150	(11,733)	(16,320)	
<b>(14,962)</b>	<b>0</b>	<b>2,388</b>	<b>(12,574)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,581</b>	<b>0</b>	<b>(26,505)</b>	<b>(18,924)</b>	
<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>		<b><u>GF</u></b>		<b><u>HRA</u></b>	<b><u>Total</u></b>	
<b>(13,825)</b>		<b>(995)</b>	<b>(14,820)</b>	Opening Balance	<b>(28,711)</b>		<b>(1,074)</b>	<b>(29,785)</b>	
(14,887)		(75)	(14,962)	Less/ Plus Surplus or (Deficit) in Year	7,534		49	7,583	
<b>(28,712)</b>		<b>(1,070)</b>	<b>(29,782)</b>	Closing Balance at 31 March	<b>(21,177)</b>		<b>(1,025)</b>	<b>(22,202)</b>	

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

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

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

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS								
2020/21				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
1,358	1,102	49	<b>2,509</b>	Chief Executive's Directorate	278	1,486	(23)	<b>1,740</b>
0	305	21	<b>326</b>	Housing and Regeneration	0	478	(6)	<b>472</b>
(16,910)	1,298	142	<b>(15,470)</b>	Housing Revenue Account (HRA)	(21,622)	1,697	(37)	<b>(19,962)</b>
3,871	908	90	<b>4,869</b>	Communities and Environment	2,911	1,253	(37)	<b>4,126</b>
68	85	7	<b>160</b>	Major Developments	91	114	3	<b>209</b>
0	(1,176)	0	<b>(1,176)</b>	Corporate	0	(1,358)	0	<b>(1,358)</b>
<b>(11,614)</b>	<b>2,522</b>	<b>310</b>	<b>(8,782)</b>	<b>Net Cost of Services</b>	<b>(18,343)</b>	<b>3,670</b>	<b>(101)</b>	<b>(14,773)</b>
(1,768)	1,170	11,768	11,170	Other Income & Expenditure from the Funding Analysis	(5,484)	1,311	(7,560)	(11,733)
<b>(13,382)</b>	<b>3,692</b>	<b>12,078</b>	<b>2,388</b>	<b>Difference between General Fund Surplus/ Deficit and CIES Income &amp; Expenditure Statement Surplus/ Deficit</b>	<b>(23,827)</b>	<b>4,981</b>	<b>(7,661)</b>	<b>(26,507)</b>

## Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2020/21	2021/22
	£'000s	£'000s
Chief Executive's Directorate	(5,476)	(5,891)
Housing & Regeneration	(968)	(1,103)
Housing Revenue Account (HRA)	(29,550)	(29,593)
Communities & Environment	(10,188)	(11,818)
Major Developments	39	(621)
Corporate	(142)	0
<b>Total Income analysed on a Segmental Basis</b>	<b>(46,285)</b>	<b>(49,026)</b>

## Note 8 – Expenditure and Income Analysed by Nature

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

	2020/21	2021/22
	£'000s	£'000s
<b>Expenditure/ Income</b>		
<b>Expenditure</b>		
Employee Benefit Expenses	26,105	27,441
Other Services Expenses	60,795	65,259
Support Service Recharges	3,152	3,198
Depreciation, Amortisation and Impairment	(267)	(5,757)
REFCUS	970	1,677
Interest Payments	8,337	9,031
Precepts and Levies	850	871
Payments to Housing Capital Receipts Pool	529	529
<b>Total Expenditure</b>	<b>100,471</b>	<b>102,249</b>
<b>Income</b>		
Fees, Charges and other Service Income	(59,386)	(66,610)
Interest and Investment Income	(2,615)	(3,237)
Income from Council Tax and Non-Domestic Rates	(15,973)	(12,423)
Government Grants and Contributions	(34,899)	(37,969)
Gain/Loss on Disposal	(173)	(934)
<b>Total Income</b>	<b>(113,045)</b>	<b>(121,173)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(12,574)</b>	<b>(18,924)</b>

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

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

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,284	1,697	0	0	0	<b>4,981</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(7,558)	0	0	0	0	<b>(7,558)</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	(64)	(37)	0	0	0	<b>(101)</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,026	(18,142)	0	7,425	7,892	<b>(1,799)</b>
<b>Total Adjustments to Revenue Resources</b>	<b>(3,314)</b>	<b>(16,482)</b>	<b>0</b>	<b>7,425</b>	<b>7,892</b>	<b>(4,479)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(30)	(3,257)	3,287	0	0	<b>0</b>
Admin costs of RTB	0	72	(72)	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,365)	0	2,365	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,444)	0	(150)	0	0	<b>(1,594)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(194)	(21)	0	0	0	<b>(215)</b>

2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,139)</b>	<b>(5,572)</b>	<b>2,537</b>	<b>2,365</b>	<b>0</b>	<b>(1,809)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,340)	0	0	<b>(1,340)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,842)	0	<b>(3,842)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(9,821)	<b>(9,821)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,340)</b>	<b>(3,842)</b>	<b>(9,821)</b>	<b>(15,003)</b>
<b>Total Adjustments</b>	<b>(4,453)</b>	<b>(22,054)</b>	<b>1,196</b>	<b>5,948</b>	<b>(1,929)</b>	<b>(21,292)</b>

2020/21	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,394	1,298	0	0	0	<b>3,692</b>
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	<b>(2)</b>
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	11,768	0	0	0	0	<b>11,768</b>
Holiday Pay (transferred to the Accumulated Absences Reserve)	167	142	0	0	0	<b>309</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,735	(11,479)	0	6,698	3,355	<b>2,309</b>
<b>Total Adjustments to Revenue Resources</b>	<b>18,062</b>	<b>(10,039)</b>	<b>0</b>	<b>6,698</b>	<b>3,355</b>	<b>18,076</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(100)	(1,620)	1,720	0	0	<b>0</b>
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	529	0	(529)	0	0	<b>0</b>
Admin Costs of RTB	0	42	(42)	0	0	<b>0</b>
Posting of HRA resources to the Major Repairs Reserve	0	(2,898)	0	2,898	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,507)	0	(150)	0	0	<b>(1,657)</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(34)	(48)	0	0	0	<b>(82)</b>

<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,112)</b>	<b>(4,524)</b>	<b>999</b>	<b>2,898</b>	<b>0</b>	<b>(1,739)</b>
<b><i>Adjustments to Capital Resources</i></b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,633)	0	0	<b>(1,633)</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,624)	0	<b>(4,624)</b>
Application of Capital grants to finance capital expenditure	0	0	0	0	(4,553)	<b>(4,553)</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,633)</b>	<b>(4,624)</b>	<b>(4,553)</b>	<b>(10,810)</b>
<b>Total Adjustments</b>	<b>16,950</b>	<b>(14,563)</b>	<b>(634)</b>	<b>4,972</b>	<b>(1,198)</b>	<b>5,527</b>

## Note 10 – Movements in Earmarked Reserves

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

	Balance @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
<b>General Fund</b>									
Business Rates Volatility	1,959	0	11,417	0	13,376	0	3,856	(11,666)	5,566
Council Tax Hardship Fund	0	0	531	0	531	0	0	(319)	213
Strategic Projects	146	0	2	(146)	2	0	0	2	0
Budget Carry Forwards	134	0	416	(68)	482	0	298	(113)	667
Grants & Contributions	1,106	0	591	(312)	1,385	0	754	(206)	1,932
Invest to Save (GF)	336	0	318	(200)	453	0	60	(414)	100
Mercury Abatement	371	0	0	(54)	317	0	0	(317)	0
Strategic Growth (GF)	57	0	0	(40)	17	0	0	(12)	5
Unused DRF	203	0	317	(179)	341	0	45	(182)	204
Backdated Rent Review	170	0	0	(170)	0	0	0	0	0
Funding for Strategic Priorities	926	0	0	(753)	174	0	0	(85)	89
HiMO CPN Appeals	0	0	0	0	0	0	47	0	47
Income Volatility Reserve	0	0	0	0	0	0	320	0	320
Inflation Volatility Reserve	0	0	0	0	0	0	150	0	150
IT Reserve	94	0	100	(71)	124	0	167	(72)	219
Revenues & Benefits	0	0	0	0	0	0	25	0	25
Community Fund									
Revenues & Benefits Shared	25	0	0	(25)	0	0	0	0	0
Service									
Asset Improvement	4	0	0	(4)	0	0	0	0	0
Tree Risk Assessment	106	0	17	(26)	97	0	19	(32)	84
Vision2025	0	0	411	(206)	204	0	809	(312)	701
Organisational Development	0	0	0	0	0	0	0	0	0
Lincoln Lottery Reserve	0	0	9	0	9	0	0	0	9
Mayoral Car	47	0	0	(20)	27	0	0	0	27
Yarborough Leisure Centre	2	0	0	0	2	0	0	0	2

	Balance @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
Active Nation Bond Reserve	0	0	180	0	180	0	200	0	380
AGP Sinking Fund	0	0	2	0	2	0	50	0	52
Private Sector Stock	45	0	12	(30)	27	0	12	0	39
Condition Survey									
Property Searches	4	0	0	(4)	0	0	0	0	0
Corporate Training	0	0	60	0	60	0	0	0	60
Boston Audit Contract	14	0	0	(14)	0	0	0	0	0
Section 106 Interest	32	0	0	0	32	0	0	0	32
Crematorium	0	0	0	0	0	0	0	0	0
Christmas Decorations	14	0	0	0	14	0	0	0	14
Electric Van Replacement	15	0	4	0	19	0	4	0	24
Air Quality Initiatives	15	0	6	(10)	11	0	6	0	16
Commons Parking	27	0	0	(7)	20	0	10	(29)	1
Tank Memorial	10	0	0	0	10	0	0	0	10
HRS Reserve	0	0	0	0	0	0	0	0	0
City Hall Sinking Fund	60	0	0	0	60	0	0	0	60
Birchwood Leisure Centre	26	0	20	0	46	0	20	0	66
Covid Recovery Reserve	0	0	1,047	0	1,047	0	0	0	1,047
Covid Response	354	0	0	0	354	0	0	0	354
MSCP & Bus Station	60	0	0	0	60	0	44	0	104
Western Growth Corridor Plan	150	0	0	(70)	80	0	0	(30)	49
<b>Total General Fund</b>	<b>6,512</b>	<b>0</b>	<b>15,460</b>	<b>(2,409)</b>	<b>19,563</b>	<b>0</b>	<b>6,897</b>	<b>(13,792)</b>	<b>12,668</b>
<b>Earmarked Reserves</b>									
<b>HRA</b>									
HRA Strategic Growth	101	0	0	(75)	26	0	0	(21)	5
HRA Invest to Save	133	0	0	0	133	0	160	(40)	253
Capital Fees Equalisation	140	0	0	(30)	110	0	0	0	110
HRA Strategic Priority	176	0	625	(79)	722	0	0	(140)	582
De Wint Court	73	0	0	0	73	0	0	0	73
DisRepair Management	0	0	0	0	0	0	300	0	300
HRA Business Plan	0	0	0	0	0	0	77	0	77
HRA Repairs Account	595	0	755	0	1,351	0	0	0	1,351

	Balance @ 31.03.20 £'000	Movements	Appropriations		Balance @ 31.03.21 £'000	Movements	Appropriations		Balance @31.03.22 £'000
			Transfers In £'000	Transfers Out £'000			Transfers In £'000	Transfers Out £'000	
HRA Survey Works	54	0	0	0	54	0	0	(54)	0
Stock Retention	22	0	0	0	22	0	0	(22)	0
Housing Repairs Service	126	0	0	0	126	0	0	0	126
<b>Total HRA Earmarked Reserves</b>	<b>1,420</b>	<b>0</b>	<b>1,380</b>	<b>(184)</b>	<b>2,617</b>	<b>0</b>	<b>537</b>	<b>(277)</b>	<b>2,876</b>
<b>Total Earmarked Reserves</b>	<b>7,932</b>	<b>0</b>	<b>16,841</b>	<b>(2,593)</b>	<b>22,180</b>	<b>0</b>	<b>7,434</b>	<b>(14,069)</b>	<b>15,544</b>
Insurance Fund	3,657	0	375	(170)	3,862	0	0	(432)	3,431
<b>Total Earmarked Reserves</b>	<b>11,589</b>	<b>0</b>	<b>17,216</b>	<b>(2,763)</b>	<b>26,043</b>	<b>0</b>	<b>7,434</b>	<b>(14,501)</b>	<b>18,976</b>

## Insurance Reserve

The insurance fund has been set up to ensure adequate funding for the insurance risk covered by the City of Lincoln Council. In **2021/22** the risk in respect of Public Liability Insurance had an excess of £100,000 (per claim) with no cap ceiling. The movements on the fund are as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
3,657	<b>Opening Balance</b>	3,863
(170)	Funding of claims/losses	(150)
375	Contributions from revenue	(282)
<b><u>3,862</u></b>	<b>Closing Balance</b>	<b><u>3,431</u></b>

### Note 11 – Other Operating Expenditure

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
850	Levies	871
529	Payments to the Government Housing Capital Receipts Pool	529
(173)	(Gains)/losses on the disposal of non-current assets	(934)
<b><u>1,206</u></b>	<b>Total</b>	<b><u>467</u></b>

### Note 12 – Financing and Investment Income and Expenditure

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
3,914	Interest payable and similar charges	3,797
2,040	Net interest on the net defined liability	2,077
(990)	Interest receivable and similar income	(1,020)
<b><u>4,964</u></b>	<b>Total</b>	<b><u>4,854</u></b>

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

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(6,859)	Council Tax income	(7,047)
(5,695)	Retained Business Rates income and expenditure	(5,351)
(2,668)	Non service related government grants	(1,328)
(23)	RSG	(23)
(3,355)	Capital grants and contributions	(7,892)
<b><u>(18,600)</u></b>	<b>Total</b>	<b><u>(21,641)</u></b>

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

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

<b>Movements in 2021/22</b>										
	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equip</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Property Plant &amp; Equip Subtotal</b>	<b>Intangible Assets</b>	<b>Investment Properties</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>										
<b>At 1 April 2021</b>	<b>274,502</b>	<b>81,265</b>	<b>9,169</b>	<b>5,918</b>	<b>20,967</b>	<b>8,241</b>	<b>400,062</b>	<b>1,992</b>	<b>34,203</b>	<b>436,256</b>
Additions	12,398	1,265	1,961	774	0	3,755	<b>20,153</b>	64	0	<b>20,218</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(36)	(455)	0	0	2,174	0	<b>1,683</b>	0	0	<b>1,683</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	9,286	(1,433)	0	0	(286)	0	<b>7,567</b>	0	408	<b>7,974</b>
De-recognition and disposals	(2,340)	0	0	0	0	0	<b>(2,340)</b>	0	0	<b>(2,340)</b>
Other movements in cost or valuation	5,628	(922)	26	0	(1,365)	(6,291)	<b>(2,924)</b>	18	1,406	<b>(1,500)</b>
<b>At 31 March 2022</b>	<b>299,437</b>	<b>79,721</b>	<b>11,157</b>	<b>6,692</b>	<b>21,490</b>	<b>5,705</b>	<b>424,201</b>	<b>2,074</b>	<b>36,016</b>	<b>462,291</b>
<b>Depreciation</b>										
<b>At 1 April 2021</b>	<b>(33)</b>	<b>(1,484)</b>	<b>(5,291)</b>	<b>(119)</b>	<b>(10)</b>	<b>0</b>	<b>(6,938)</b>	<b>(1,801)</b>	<b>0</b>	<b>(8,739)</b>
Depreciation/amortisation for year	(7,159)	(1,604)	(488)	0	0	0	<b>(9,251)</b>	(66)	0	<b>(9,318)</b>
Depreciation written out to the Revaluation Reserve	33	1,271	0	0	3	0	<b>1,307</b>	0	0	<b>1,307</b>

<b>Movements in 2021/22</b>										
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,101	0	0	0	0	0	<b>7,101</b>	0	0	<b>7,101</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
De-recognition – disposals	58	0	0	0	0	0	<b>58</b>	0	0	<b>58</b>
De-recognition – other	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	(7)	0	0	7	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2022</b>	<b>0</b>	<b>(1,824)</b>	<b>(5,780)</b>	<b>(119)</b>	<b>0</b>	<b>0</b>	<b>(7,723)</b>	<b>(1,868)</b>	<b>0</b>	<b>(9,590)</b>
<b>Net book value of assets at 31.03.22</b>	<b>299,437</b>	<b>77,897</b>	<b>5,377</b>	<b>6,573</b>	<b>21,490</b>	<b>5,705</b>	<b>416,478</b>	<b>207</b>	<b>36,016</b>	<b>452,701</b>
<b>Net book value of assets at 31.03.21</b>	<b>274,468</b>	<b>79,781</b>	<b>3,877</b>	<b>5,799</b>	<b>20,957</b>	<b>8,241</b>	<b>393,124</b>	<b>191</b>	<b>34,203</b>	<b>427,518</b>
Owned	299,437	77,897	5,377	6,573	21,490	5,705	416,478	207	36,016	452,701

<b>Movements in 2020/21</b>										
	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equip</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Property Plant &amp; Equip Subtotal</b>	<b>Intangible Assets</b>	<b>Investment Properties</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>										
<b>At 1 April 2020</b>	<b>257,607</b>	<b>89,222</b>	<b>12,890</b>	<b>5,235</b>	<b>19,750</b>	<b>2,740</b>	<b>387,444</b>	<b>1,992</b>	<b>34,646</b>	<b>424,082</b>
Additions	11,854	53	320	686	0	5,706	<b>18,619</b>	0	0	<b>18,619</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	53	(5,035)	0	0	(135)	0	<b>(5,117)</b>	0	0	<b>(5,117)</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	6,109	(3,273)	0	0	(48)	0	<b>2,788</b>	0	294	<b>3,082</b>
De-recognition and disposals	(1,327)	(439)	0	0	0	0	<b>(1,766)</b>	0	(100)	<b>(1,866)</b>
Other movements in cost or valuation	205	737	(4,042)	0	1,400	(205)	<b>(1,905)</b>	0	(637)	<b>(2,542)</b>
<b>At 31 March 2021</b>	<b>274,501</b>	<b>81,265</b>	<b>9,168</b>	<b>5,921</b>	<b>20,967</b>	<b>8,241</b>	<b>400,063</b>	<b>1,992</b>	<b>34,203</b>	<b>436,258</b>
<b>Depreciation</b>										
<b>At 1 April 2020</b>	<b>(20)</b>	<b>(2,457)</b>	<b>(8,646)</b>	<b>(119)</b>	<b>(7)</b>	<b>0</b>	<b>(11,249)</b>	<b>(1,683)</b>	<b>0</b>	<b>(12,932)</b>
Depreciation/amortisation for year	(6,362)	(1,738)	(687)	0	(4)	0	<b>(8,791)</b>	(118)	0	<b>(8,909)</b>
Depreciation written out to the Revaluation Reserve	0	2,691	0	0	0	0	<b>2,691</b>	0	0	<b>2,691</b>
<b>Movements in 2020/21</b>										
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,316	0	0	0	0	0	<b>6,316</b>	0	0	<b>6,316</b>

Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	32	21	0	0	0	0	53	0	0	53
De-recognition – other	0	0	4,042	0	0	0	4,042	0	0	4,042
Other movements in cost or valuation	0	(1)	0	0	1	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(33)</b>	<b>(1,484)</b>	<b>(5,291)</b>	<b>(119)</b>	<b>(10)</b>	<b>0</b>	<b>(6,938)</b>	<b>(1,801)</b>	<b>0</b>	<b>(8,739)</b>
<b>Net book value of assets at 31.03.21</b>	<b>274,468</b>	<b>79,781</b>	<b>3,877</b>	<b>5,799</b>	<b>20,957</b>	<b>8,241</b>	<b>393,124</b>	<b>191</b>	<b>34,203</b>	<b>427,518</b>
<b>Net book value of assets at 31.03.20</b>	<b>257,587</b>	<b>86,763</b>	<b>4,244</b>	<b>5,116</b>	<b>19,744</b>	<b>2,740</b>	<b>376,192</b>	<b>309</b>	<b>34,646</b>	<b>411,147</b>
Owned	274,468	79,781	3,877	5,799	20,957	8,241	393,124	191	34,203	427,518

## Valuation

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

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

Principal Property Surveyor  
Director – Banks Long

Mr P Clifton  
James Butcher

MRICS  
BSc (Hons) MRICS

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

	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Community Assets</b>	<b>Vehicles Plant &amp; Equip.</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valuation at historical cost</b>			6,573	5,377		5,705
<b>Valued at current value as at:</b>						
Desktop review		394				
31/03/2022		18,058			10,960	
31/03/2021	299,437	39,458			423	
31/03/2020		3,130			7	
31/03/2019		15,185			9,500	
31/03/2018		1,672			600	
<b>Total cost or valuation</b>	<b>299,437</b>	<b>77,897</b>	<b>6,573</b>	<b>5,377</b>	<b>21,490</b>	<b>5,705</b>

## Depreciation

### Tangible Assets

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. The following useful lives and depreciation rates have been used in the calculation of depreciation:

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

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years
- Depots & Workshops	50 years
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
<b>Vehicles, Plant &amp; Equipment</b>	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years

### Intangible Assets

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

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

## Note 15 – Heritage Assets

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

	<b>Heritage Vehicles £'000</b>	<b>Musical Instruments £'000</b>	<b>Civic Insignia £'000</b>	<b>Other £'000</b>	<b>Total Assets £'000</b>
<b>Cost or Valuation</b>					
At 1 April 2020	38	100	2,359	409	2,906
Additions	0	0	0	0	0
De-recognitions	(38)	(100)	0	0	(138)
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>
<b>Cost or Valuation</b>					
At 1 April 2021	0	0	2,359	409	2,768
Additions	0	0	0	0	0
De-recognitions	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>2,359</b>	<b>409</b>	<b>2,768</b>

## Civic Insignia

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

## Other Heritage Assets

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

## Heritage Assets not recognised in the Balance Sheet

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

### Scheduled Ancient Monuments

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

### Memorials

High Street	War memorial
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### Memorials

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

### Public Art

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

### Note 16 – Investment Properties and Surplus Assets

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

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

2020/21 £'000		2021/22 £'000
1,462	Rental income from investment property	1,994
(5)	Direct operating expenses arising from investment property	(19)
294	Fair value gains/(losses) on investment properties	408
0	Gains/(losses) on disposal of investment properties	0
<b>1,751</b>	<b>Net gain/(loss)</b>	<b>2,383</b>

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

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

2020/21 £'000		2021/22 £'000
<b>34,646</b>	<b>Balance at 1 April</b>	<b>34,203</b>
0	Additions	0
(100)	Disposals	0
294	Net gain/loss from Fair Value Adjustment	408
(637)	Transfers (to)/from Other Land and Buildings	1,406
<b>34,203</b>	<b>Balance at 31 March</b>	<b>36,016</b>

### Fair Value Hierarchy

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

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

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

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

## **Highest and Best Use of Investment Properties**

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

## **Valuers**

The Investment Properties that were valued at 31 March 2022 were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

## **Surplus Assets**

Movements in the value of Surplus Assets are shown in note 14.

The current value measurement base for surplus assets is fair value, estimated at highest and best use from a market participant's perspective. There have been no transfers between the levels of the hierarchy during the year. A transfer would occur when more detailed market information becomes available.

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

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

The Council's surplus assets are all valued using level three inputs due to their latent value or specialist nature.

## **Note 17 – Intangible Assets**

Movements in the value of Intangible Assets are shown in note 14. No internally generated intangible assets are recognised in the Balance Sheet. The carrying

amount of intangible assets is amortised on a straight-line basis. Amortisation of £66k (£118k in 20/21) was charged to service headings in the Cost of Services.

## Note 18 – Financial Instruments

The Council has the following investments at 31 March 2022:

### Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

Fair Value of Equity Instruments designated at fair value through other comprehensive income include the following:

	31/03/2021	31/03/2022
	£000	£000
Non-listed securities	504	504
<b>Total</b>	<b>504</b>	<b>504</b>

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

31 March 2022

	Unquoted Shares	Other	Total
	£000	£000	£000
<b>Opening Balance</b>	249	0	249
Transfers into level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period			
- Included in Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	63	0	63
Additions	0	0	0
Disposals	0	0	0
<b>Closing Balance</b>	<b>312</b>	<b>0</b>	<b>312</b>

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

Summary of Financial Instruments		31/3/21	31/3/22
		£000s	£000s
<b>Financial Liabilities at amortised cost</b>			
Long Term Borrowing	Level 1	(115,738)	(111,962)
Short Term Borrowing	Level 1	(9,417)	(14,931)
Long Term Creditors	Level 1	0	0
Short Term Creditors	Level 1	(7,869)	(12,408)
Cash and Cash Equivalents	Level 1	0	0
<b>Total Financial Liabilities</b>		<b>(133,024)</b>	<b>(139,302)</b>
<b>Financial Assets at amortised cost</b>			

Summary of Financial Instruments		31/3/21	31/3/22
		£000s	£000s
Short Term Investments	Level 1	33,907	49,878
Long Term Debtors	Level 1	837	724
Short Term Debtors	Level 1	6,835	8,891
Cash and Cash Equivalents	Level 1	563	(103)
<b>Total Financial Assets</b>		<b>42,142</b>	<b>59,390</b>
<b>Financial Assets at FVOCI*</b>			
Long Term Investments	Level 2/3**	753	816
<b>Total Assets at FVOCI</b>		<b>753</b>	<b>816</b>

\*Fair Value through Other Comprehensive Income

\*\* See table below for detail

There have been no transfers between levels in the hierarchy during 2021/22.

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in short term debtors/creditors where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

### Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2021/22	Financial Liabilities	Financial Assets		Total
	Amortised Cost		FVOCI	
	£000	£000	£000	£000
Interest Expense	3,721			3,721
Interest Income credited to services		(77)		(77)
Dividend Income			(26)	(26)
Surplus or deficit arising on revaluation of financial assets			(63)	(63)
<b>Net (gain)/loss for the year</b>	<b>3,721</b>	<b>(77)</b>	<b>(89)</b>	<b>3,555</b>

2020/21				
Interest Expense	3,912			3,912
Interest Income credited to services		(77)		(77)
Interest Income			(26)	(26)
Surplus or deficit arising on revaluation of financial assets			19	19
<b>Net (gain)/loss for the year</b>	<b>3,912</b>	<b>(77)</b>	<b>(7)</b>	<b>3,828</b>

## Fair Value of Financial Assets

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them. Assets measured at Fair value through other comprehensive income are classified in this way due to the business model under which they are being held and that they have features which are not usually found in a basic lending agreement.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy**	Valuation technique used to measure fair value	As at 31/3/22	As at 31/3/21
			£'000	£'000
Fair Value OCI				
Equity shareholding in Dunham Bridge Company	Level 2	Average price obtained during the last three share sales	504	504
Equity shareholding in Investors in Lincoln	Level 3	Discounted cash flow *	312	249
Total			816	753

\* The Authority's shareholding in Investors in Lincoln - the shares in this company are not traded in an active market and fair value of £311,486 has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and assuming future profit will remain the same as current year profit.

\*\*See Glossary for the definition of Fair Value Input Levels

## Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

### Financial Liabilities

31/03/21		Fair Value hierarchy**	31/03/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
93,354	106,461	PWLB Debt	95,612	99,356
16,174	27,879	Money Market Debt	16,174	25,339
565	565	Stock	0	0
15,062	15,199	Other	15,108	14,960
125,155	150,104	<b>Total Debt</b>	126,894	139,655

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

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

### Financial Assets

31/03/21			31/03/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
33,907	33,907	Money Market Investments <1 year	49,878	49,878
0	0	Money Market Investments >1 year	0	0
837	837	Long Term Debtors	724	724
<b>34,744</b>	<b>34,744</b>	<b>Total Investments</b>	<b>50,602</b>	<b>50,602</b>

The fair value of Public Works Loan Board (PWLB) loans of £99.356m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £95.612m would be valued at £99.356m. But, if the Council were to seek to avoid the

projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £115.345m.

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

## Note 19 – Inventories

In undertaking its work the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The note for 2020/21 has been revised and the figure shown in the Balance Sheet may be subdivided as follows:

	<b>Consumable Stores</b>	
	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at the start of the year</b>	<b>138</b>	<b>138</b>
Purchases	1	11
Recognised as an expense in the year	0	(45)
<b>Balance outstanding at the year-end</b>	<b>139</b>	<b>104</b>

## Note 20 – Debtors

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

<b>31/03/21</b>		<b>31/03/22</b>	
<b>£'000</b>		<b>£'000</b>	
13,843	Central Government Bodies	12,713	
8,022	Other Local Authorities	5,345	
9	NHS Bodies	4	
10,664	Other Entities and Individuals	10,987	
<b>32,537</b>	<b>Total Short-Term Debtors</b>	<b>29,049</b>	
<b>(4,148)</b>	Less Impairment Loss Allowance	<b>(4,133)</b>	
<b>28,389</b>	<b>Net Short-Term Debtors as per Balance Sheet</b>	<b>24,916</b>	

### **Debtors for Local Taxation**

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
122	Less than three months	115
184	Three to six months	186
3,438	Six months to one year	3,521
4,699	More than one year	5,171
<b>8,444</b>	<b>Total</b>	<b>8,993</b>

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

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
1	Cash held by the Council	1
562	Bank Current accounts	(104)
<b>563</b>		<b>(103)</b>

The overdrawn balance at 31/3/2022 shows the financial position which includes creditor payments awaiting clearance through the bank account.

### **Note 22 – Assets Held for Sale**

The Authority had a piece of development land classified as an asset held for sale at the end of the year. The sale of the asset has been approved but was not completed as at 31<sup>st</sup> March 2022.

<b>Current</b>		<b>Current</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
1,500	Balance at start of the year	0
0	Additions	0
	Newly classified:	
0	- Property Plant & Equipment	1,500
0	Revaluation gain/(loss)	0
(1,500)	Transfers from AHFS	0
0	Disposals	0
<b>0</b>	<b>Closing Balance</b>	<b>1,500</b>

## Note 23 – Creditors

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

31/03/21		31/03/22
£'000		£'000
(24,825)	Central Government Bodies	(28,327)
(593)	Other Local Authorities	(607)
(8,396)	Other Entities and Individuals	(14,995)
<b>(33,814)</b>	<b>Total</b>	<b>(43,929)</b>

## Note 24 – Provisions

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

	Business Rates RV Reduction the Think Tank  £'000	Compulsory Purchase Order  £'000	Business Rates Appeals  £'000
<b>Balance at 1 April 2021</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,448)</b>
Additional Provisions made in 2021/22	0	0	(947)
Amounts used in 2021/22	0	0	306
Unused Amounts Reversed in 2021/22	0	0	1,022
Unwinding of Discounting in 2021/22	0	0	0
<b>Balance at 31 March 2022</b>	<b>(37)</b>	<b>(94)</b>	<b>(2,067)</b>

The provision for business rate appeals represents the Council's share (40% of £5.168m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

## Note 25 – Usable Reserves

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

## Note 26 – Unusable Reserves

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

Reserve	Balance 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	29,350	2,192	31,542	Store of gains on revaluation of assets	a) below
Pensions Reserve	(106,140)	20,018	(86,122)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	263,163	19,408	282,571	Store of capital resources set aside to meet past expenditure	b) below
Deferred Capital Receipts	57	0	57	Expected future repayments from sales of assets received in instalments	c) below
Financial Instruments Adjustment Account	(51)	3	(48)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Financial Instruments Revaluation Reserve	738	63	801	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	(196)	167	(29)	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below

Reserve	Balance 31/03/21	Net Movement in Year	Balance 31/03/22	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Collection Fund Adjustment Account – NNDR	(11,428)	7,391	(4,037)	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below
Accumulated Absences Account	(770)	101	(669)	Absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (i.e. annual leave entitlement carried forward at 31 March	g) below
	<b>174,723</b>	<b>49,343</b>	<b>224,066</b>		

#### a) Revaluation Reserve

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

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

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

2020/21 £'000		2021/22 £'000
(32,181)	<b>Balance 1 April</b>	<b>(29,350)</b>
(1,346)	Upward Revaluation of assets	(3,712)
3,773	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	7223
<hr/> 2,427	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<hr/> (2,989)
281	Difference between fair value depreciation and historical cost depreciation	797
123	Amounts written out to the Capital Adjustment Account	0
<hr/> <b>(29,350)</b>	<b>Balance 31 March</b>	<hr/> <b>(31,542)</b>

#### b) Capital Adjustment Account

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

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

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

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

2020/21 £'000		2021/22 £'000
(252,643)	<b>Balance 1 April</b>	(263,163)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
8,909	Charges for depreciation and amortisation of non-current assets	9,318
0	Other movements of depreciation	0
(9,104)	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(14,668)
(294)	Fair value movements on Investment Properties	(408)
970	Revenue expenditure funded from capital under statute	1,677
1,813	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,282
15	Other adjustments	0
<b>2,309</b>		<b>(1,799)</b>
(281)	Adjusting amounts written out of the Revaluation Reserve	(797)
	Adjusting amounts written out of the Revaluation Reserve prior period adjustment	
<b>2,029</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(2,596)</b>
	<b>Capital Financing applied in year:</b>	
(1,633)	Use of Capital Receipts to finance new capital expenditure	(1,340)
(150)	Use of Capital Receipts to reduce capital financing requirement	(150)
(4,624)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,842)
(82)	Capital expenditure charged against the General Fund and HRA balances	(215)
(4,553)	Application of Capital Grants to finance new capital expenditure	(9,821)
(1,507)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(1,444)
<b>(12,550)</b>		<b>(16,812)</b>
<b>(263,163)</b>	<b>Balance 31 March</b>	<b>(282,571)</b>

### c) Deferred Capital Receipts

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

2020/21 £'000		2021/22 £'000
(57)	<b>Balance 1 April</b>	(57)
0	Council's share of (surplus)/deficit for the year	0
<b>(57)</b>	<b>Balance 31 March</b>	<b>(57)</b>

### d) Financial Instruments Adjustment Account

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

2020/21 £'000		2021/22 £'000
53	<b>Balance 1 April</b>	51
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(2)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
<b>51</b>	<b>Balance 31 March</b>	<b>48</b>

### e) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases on the value of its investments measured at Fair Value through Other Comprehensive Income. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains lost or disposed of and the gains are realised.

2020/21 £'000	<b>Financial Instruments Revaluation Reserve</b>	2021/22 £'000
(757)	<b>Balance 1 April</b>	(738)
0	Transfer from Available for Sale Financial Instruments Reserve	0
19	(Gain)/Loss on FVOCI revaluations in year	(63)
<b>(738)</b>	<b>Balance 31 March</b>	<b>(801)</b>

**f) Collection Fund Adjustment Account – Council Tax**

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

2020/21 £'000		2021/22 £'000
(26)	<b>Balance 1 April</b>	196
222	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)
<b>196</b>	<b>Balance 31 March</b>	<b>29</b>

**g) Collection Fund Adjustment Account – NNDR**

The NNDR Adjustment Account was introduced on 1 April 2013 to comply with the new regime for the collection of Business Rates and the resulting accounting requirements. The difference between accrued income for the year as shown in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2020/21 £'000		2021/22 £'000
(118)	<b>Balance 1 April</b>	11,428
11,546	Amount by which council non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(7,391)
<b>11,428</b>	<b>Balance 31 March</b>	<b>4,037</b>

**h) Accumulated Absences Account**

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund and HRA Balance from accruing for compensated absences earned but not taken in year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on General Fund and HRA Balance is neutralised by transfers to or from this account.

2020/21 £'000		2021/22 £'000
460	<b>Balance 1 April</b>	770
(460)	Settlement or cancellation of accrual made at the end of the preceding year	(770)
770	Amounts accrued at the end of the current year	669

	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	
310		(101)
<b>770</b>	<b>Balance 31 March</b>	<b>669</b>

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

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
129	Interest received	62
(3,976)	Interest paid	(3,786)
26	Dividends Received	26
<b>(3,821)</b>		<b>(3,698)</b>

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

2020/21 £'000		2021/22 £'000
8,791	Depreciation	9,252
(9,104)	Impairment and downward valuations	(14,668)
118	Amortisation	66
0	Increase/(decrease) in impairment for bad debts	0
22,216	Increase/(decrease) in creditors	9,863
(1,418)	(Increase)/decrease in debtors	(7,732)
(1)	(Increase)/decrease in inventories	35
3,692	Movement in pension liability	4,981
1,828	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,282
(119)	Other non-cash items charged to the net surplus or deficit on the provision of services	(851)
<b>26,003</b>		<b>3,228</b>

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

2020/21 £'000		2021/22 £'000
(1,677)	Proceeds from sale of PPE, investment property and intangible assets	(3,216)
(3,355)	Any other items for which the cash effects are investing or financing cash flows	(7,892)
<b>(5,032)</b>		<b>(11,108)</b>

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

2020/21 £'000		2021/22 £'000
(18,008)	Purchase of property, plant and equipment, investment property and intangible assets	(19,966)
(172,315)	Purchase of short-term and long-term investments	(150,686)
0	Other payments for investing activities	0
1,677	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,216
168,965	Proceeds from short-term and long-term investments	134,736
3,207	Other receipts from investing activities	7,892
<b>(16,474)</b>	<b>Net cash flows from investing activities</b>	<b>(24,808)</b>

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

2020/21 £'000		2021/22 £'000
(105)	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
14,673	Cash receipts of short & long-term borrowing	11,381
0	Other receipts from financing activities	0
(11,425)	Repayments of short- and long-term borrowing	(9,643)
(19,325)	Other payments for financing activities	11,360
<b>(16,182)</b>	<b>Net cash flows from financing activities</b>	<b>13,098</b>

Reconciliation of liabilities arising from financing activities

2021/22	01/04/2021	Financing Cash Flows		Other non-financing cash flows	31/03/2022
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	107,158	5,000	(561)	(13,215)	98,382
Short Term Borrowing	13,455	5,000	(7,710)	13,215	23,960
Lease liabilities	0	0	0	0	0
<b>Total Liabilities from financing activities</b>	<b>120,613</b>	<b>10,000</b>	<b>(8,271)</b>	<b>0</b>	<b>122,342</b>

2020/21	01/04/2020	Financing Cash Flows		Other non-financing cash flows	31/03/2021
		New loans	Repayments		
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	110,448	(6,000)	0	2,710	107,158
Short Term Borrowing	11,460	(5,000)	9,705	(2,710)	13,455
Lease liabilities	105	0	(105)	0	0
<b>Total Liabilities from financing activities</b>	<b>122,013</b>	<b>(11,000)</b>	<b>9,600</b>	<b>0</b>	<b>120,613</b>

### Note 32 – Trading Operations

The Council operates a Housing Repairs Service (HRS), which carries out day to day maintenance on council housing and other public buildings as well as environmental works, street furniture etc. It also manages a number of industrial estates and commercial properties.

2020/21				2021/22		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
7,842	(6,949)	894	HRS	9,118	(7,760)	1,359
54	(408)	(355)	Industrial Estates	54	(395)	(341)
62	(1,478)	(1,416)	Lincoln Properties	67	(2,000)	(1,932)
<b>7,958</b>	<b>(8,835)</b>	<b>(877)</b>	<b>Total (Surplus)/Deficit</b>	<b>9,240</b>	<b>(10,154)</b>	<b>(914)</b>

### Note 33 – Agency Services

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

### Note 34 – Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 requires local authorities to publish the amounts paid to members under the members' allowance scheme.

The payments made to the City of Lincoln Council members during 2021/22 totalled £245,456 (£249,438 in 2020/21).

Payments are defined as:

- Basic Allowance
- Special Responsibility Allowance
- Other allowances

## Note 35 – Officers' Remuneration

The Accounts and Audit Regulations 2015 require the Council to disclose remuneration paid to senior employees.

For the purposes of the regulation senior employees are persons whose salary is in excess of £150,000 per year or whose salary is £50,000 or more and are deemed to have responsibility for the management of the Council to the extent that they have the power to direct or control the major activities. The remuneration paid to the Council's senior employees is as follows:

### Officers' Emoluments – Senior Employees

2021/22						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive <sup>1</sup>	141,540	0	0	0	22,686	164,225
Strategic Director of Housing & Regeneration	100,973	0	0	0	17,123	118,096
Strategic Director of Communities & Environment	98,979	0	0	0	17,123	116,102
Strategic Director of Major Developments	98,979	0	0	0	17,123	116,102
<b>Total</b>	<b>440,470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,056</b>	<b>514,525</b>

- 1) The salary costs for the Chief Executive include £16.1k relating to election expenses in 21/22.

<b>2020/21</b>						
<b>Post Title</b>	<b>Salary</b>	<b>Bonuses</b>	<b>Expense Allowances</b>	<b>Compensation for loss of office</b>	<b>Pension Contributions</b>	<b>Total</b>
	£	£	£	£	£	£
Chief Executive <sup>1</sup>	123,588	0	0	0	21,381	144,969
Strategic Director of Housing & Regeneration	96,657	0	0	0	16,722	113,378
Strategic Director of Communities & Environment	96,920	0	0	0	16,797	113,687
Strategic Director of Major Developments	96,584	0	0	0	16,709	113,293
<b>Total</b>	<b>413,748</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,578</b>	<b>485,327</b>

1) There were no elections held in 20/21 due to the Covid-19 Pandemic.

The numbers of other Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as follows:

<b>Remuneration Band</b>	<b>Number of Employees</b>	
<b>£</b>	<b>2021/22</b>	<b>2020/21</b>
50,000 - 54,999	6	8
55,000 - 59,999	3	0
60,000 - 64,999	2	4
65,000 - 69,999	5	4
70,000 - 74,999	0	0
75,000 - 79,999	1	2
80,000 - 84,999	1	0

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

The figure above for 2021/22 includes no employees for whom an exit package was agreed.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
£0 - £20,000	0	0	9	4	9	4	103,264	32,934
£20,001 - £40,000	0	0	4	4	4	4	108,353	122,870
£40,001 - £60,000	0	0	0	4	0	4	0	176,082
£60,001 - £80,000	0	0	0	1	0	1	0	60,530
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings							211,617	392,416
Add: Amounts provided for in CIES not included in bandings							0	0
<b>Total cost included in CIES</b>							<b>211,617</b>	<b>392,416</b>

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

### Note 36 – External Audit Costs

In 2021/22 the following fees relating to External Audit and Inspection were incurred and paid to Mazars, the Council's external auditors:

2020/21 £'000		2021/22 £'000
	<b><u>Fees payable for statutory audit services</u></b>	
50	Fees Payable with regard to external audit services carried out by the appointed auditor	60
<b>50</b>		<b>60</b>
	<b><u>Fees payable for other audit services</u></b>	
13	Fees payable for the certification of grant claims and returns	14
<b>63</b>	<b>Total fee payable to external auditors</b>	<b>75</b>

The fees relating to external audit services include the amount of £41,000 for the provision of the annual audit and £19,000 for advice relating to new standards and PPE/Pensions

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2021/22 is an estimate, as the work will be carried out in the period July to September 2022.

### Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

<b>Credited to Taxation and Non-Specific Grant Income</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(23)	Revenue Support Grant	(23)
(771)	New Homes Bonus	(213)
(13)	Business Rates Top Ups	0
(8)	Transparency Code Setup Grant	(8)
(1,877)	COVID	(640)
0	Lower Tier Services Grant	(266)
0	Local Council Tax Support Admin Subsidy	(201)
<b>(2,691)</b>	<b>Total Non-Ring-fenced Grants shown on CIES</b>	<b>(1,351)</b>
(852)	Disabled Facilities Grants	(852)
(107)	Section 106 agreement	(173)
0	Lincolnshire County Council	(1407)
(359)	Heritage Lottery Fund	(256)
(142)	Historic England	(941)
(40)	Department of Transport	(13)
(713)	Homes England	(3,333)
(1,000)	Towns Fund	(498)
0	Police & Crime Commissioner	(270)
(142)	Other Capital Grants and Contributions	(150)
<b>(3,354)</b>	<b>Total Capital Grants and Contributions shown on CIES</b>	<b>(7,892)</b>
<b>(12,657)</b>	<b>S31 Grants included in Non-Domestic Rates Income on CIES</b>	<b>(5,211)</b>
<b>(18,703)</b>	<b>Total Non-Ringfenced Grants included in CIES</b>	<b>(14,455)</b>

<b>2020/21</b>	<b>Credited to Services</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
(12,453)	Rent Allowances	(11,590)
(11,277)	Rent Rebates	(10,589)
(227)	Discretionary Housing Payments	(187)

(336)	Housing Benefit Administration	(334)
(445)	New Burdens Grant Determination	(789)
(29)	Historic England	(48)
(137)	Local Council Tax Support Admin Subsidy	(148)
(51)	Home Office	(33)
(70)	Towns Fund	(11)
(1,517)	Homeless Specific	(1,700)
(24,701)	COVID Business Support Grants	(2,612)
(81)	Other Grants	(602)
<b>(51,324)</b>	<b>Total Grants and Contributions credited to Services</b>	<b>(28,643)</b>
<b>(70,027)</b>	<b>Total Grants, Contributions and Donated Assets</b>	<b>(43,098)</b>

### Note 38 – Related Parties

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

**Members/Officers** - For 2021/22 the Council sent a letter, dated 1 April 2022, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, two Members and two Officers declared pecuniary interests in accordance with section 117 of the Local Government Act 1972.

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

Name of Organisation	Member Representative	Officer Representative
Upper Witham – Drainage Board	Councillor G Hewson Councillor R Longbottom Councillor P Vaughan	Chief Executive
Witham First – Drainage Board	Councillor G Hewson Councillor P Vaughan Councillor B Bean	Chief Executive
Witham Third – Drainage Board	Councillor G Hewson Councillor P Vaughan	Chief Executive
Lincoln Dial-a-Ride	Councillor G Hewson	Chief Executive

<b>Name of Organisation</b>	<b>Member Representative</b>	<b>Officer Representative</b>
Lincoln Citizens Advice Bureau	Councillor S Burke	Chief Executive
Investors in Lincoln	Cllr Metcalfe Cllr Murray	Chief Executive/ Major Developments
Lincoln Business Improvement Group	Councillor C Burke Councillor R Metcalfe	Communities and Environment
Central Lincolnshire Joint Strategic Planning Partnership	Councillor R Metcalfe Councillor C Burke Councillor N Tweddle Councillor G Hewson(Sub)	Communities & Environment
The Shared Revenues & Benefits Joint Committee	Councillor R Metcalfe Councillor Sue Burke Councillor D Nannestad( sub)	Chief Executive
Brayford	Councillor R Metcalfe Councillor Gary Hewson	Chief Executive
Lincoln City Foundation		Director of Communities and Environment

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

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

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

**Other Bodies** - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2021/22 were as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
453	Upper Witham Drainage Board	464
135	Witham 1 <sup>st</sup> Drainage Board	139
262	Witham 3 <sup>rd</sup> Drainage Board	268
<b>850</b>	<b>Total</b>	<b>871</b>

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

**2020/21**

**2021/22**

£'000		£'000
26	Lincoln Dial-a-Ride	20
28	Citizens Advice Bureau	28
36	Brayford	23

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

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

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2021, showing net assets of £4.485m and a profit of £38,150. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

The Council is fully responsible for meeting the first £100,000 of any cumulative deficit on operating the managed workspace units. In the event that the cumulative deficiency exceeds £100,000 the Council shall meet 75% of the deficiency. In 2021/22 a surplus on the managed workspace units of £23,544 was attributable to the Council.

Details of amounts received from ILL during 2021/22 are shown below:

2020/21 £'000		2021/22 £'000
133	Property Management costs	94
90	Facility Fee	68
5	Management Fee	5

An amount of £4,861 was owed to ILL at 31st March 2022 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

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

#### Note 39 – Capital Expenditure and Capital Financing

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

Total Capital expenditure and financing during the year:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Capital investment</b>	
18,619	Property, Plant and Equipment	20,154
0	Investment Properties	0
0	Intangible Assets	64
970	Revenue Expenditure Funded from Capital under Statute	1,677
<b>19,589</b>		<b>21,895</b>
<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Sources of finance</b>	
(1,633)	Capital Receipts	(1,340)
(4,553)	Government grants and other contributions	(9,821)
(82)	Revenue Contributions	(215)
(4,624)	Major Repairs Reserve	(3,842)
<b>(10,892)</b>	<b>Total sources of financing</b>	<b>(15,218)</b>
<b>(8,697)</b>	<b>Capital Financing Requirement</b>	<b>(6,677)</b>
	<b>Capital Financing Requirement - Funded by:</b>	
8,697	Unsupported Borrowing	6,677
<b>8,697</b>		<b>6,677</b>
130,736	Opening CFR	137,776
8,697	Unsupported borrowing	6,677
0	Adjustments in respect of leases disposed under finance lease	0
(1,507)	Minimum Revenue Provision/Voluntary Revenue Provision	(1,444)
(150)	Application of capital receipts to reduce CFR	(150)
<b>137,776</b>	<b>Closing CFR</b>	<b>142,859</b>

The Council has a five-year Housing Investment programme, of which £4.465m is contractually committed for delivery in 2022/23. This relates to a partnership arrangement to ensure all our properties continue to meet Decent Homes Standard and move towards achieving The Lincoln Standard. In addition to this the Council also has a five-year General Investment Programme, of which £7.69m is contractually committed for delivery in 2022/23. Market refurbishment of £6.98m, IT and Telephony schemes (£0.083m), St Mary's Guildhall (£0.348m) and to allow completion of schemes

Crematorium improvements (£0.131m), Artificial Grass Pitches (£0.088m) and Whitton's Park (£0.057m).

## Note 40 – Leases

### Council as Lessee

#### Finance Leases

The Council does not have any finance leases as Lessee.

#### Operating leases

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

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

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

2020/21		2021/22	
£'000		£'000	
191	Vehicles Plant & Equipment	193	
<b>191</b>	<b>Minimum lease payments</b>	<b>193</b>	

### Council as Lessor

#### Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 2021/22.

## Operating Leases

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

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

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

2020/21		2021/22
£'000		£'000
2,238	Not later than one year	2,746
8,833	Later than one year and not later than five years	9,860
22,385	Later than five years	20,650
<b>33,457</b>		<b>33,257</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2021/22, £0.343m contingent rents were foregone by the Council (2020/21 £0.386m received).

### Note 41 – Impairment Losses

There were no impairment losses during 2021/22.

### Note 42 – Capitalisation of Borrowing Costs

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

### Note 43 – Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £0.392m (£0.212m in 2020/21) – see note 35 for the number of exit packages and total cost per band. These costs exclude any ill health retirements or departures as they are not termination benefits in accordance with the requirements of the code.

## Note 44 – Defined Benefit Pension Scheme

### Participation in Pension Schemes

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

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

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

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

### Transactions Relating to Retirement Benefits

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

2020/21 £'000		2021/22 £'000
	<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>	
	<b>Net Cost of Services:</b>	
6,477	Current Service Cost	7,803
0	Past Service Costs (including curtailments)	0
	<b>Financing and Investment Income and Expenditure:</b>	
1,896	Net Interest Expense	2,077
<b>8,373</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>9,880</b>

2020/21 £'000		2021/22 £'000
	<b>Re-measurement of the net defined benefit liability comprising:</b>	
(29,268)	Return on plan assets (excluding the amount included in the net interest expense)	(14,956)
(2,407)	Actuarial gains and losses arising on changes in demographic assumptions	0
54,612	Actuarial gains and losses arising on changes in financial assumptions	(11,699)
(2,478)	Other	473
20,459	<b>Total re-measurements recognised in Other Comprehensive Income and Expenditure</b>	(26,182)
<b>28,832</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(16,302)</b>

2020/21 £'000		2021/22 £'000
	<b><u>Movement in Reserves Statement</u></b>	
8,373	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,880
(4,681)	Actual amount charged against the General Fund Balance for pensions in the year:	(4,899)

### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

2020/21 £'000		2021/22 £'000
(264,908)	Present value of the defined obligations	(259,765)
158,769	Fair value of plan assets	174,816
<b>(106,139)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(84,949)</b>

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

2020/21 £'000		2021/22 £'000
127,431	Opening fair value of scheme assets	158,769
2,527	Interest Income	3,156
29,268	The return on plan assets, excluding the amount included in the net interest expense	14,956
4,681	Contributions from employer	4,888
1,028	Contributions from employees into the scheme	1,017
(6,674)	Benefits Paid	(7,851)
(105)	Administration Expenses	(119)
612	Settlement Prices received/(paid)	0
<b>158,769</b>	<b>Closing Fair value of scheme assets</b>	<b>174,816</b>

## Reconciliation of Present Value of the scheme liabilities:

2020/21 £'000		2021/22 £'000
209,420	Opening balance at 1 April	264,908
6,159	Current Service Cost	7,461
4,423	Interest Cost	5,233
1,028	Contributions from scheme participants	1,017
	Re-measurement (gains) and losses:	
(2,407)	Actuarial gains/losses arising from changes in demographic assumptions	
54,612	Actuarial gains/losses arising from changes in financial assumptions	(11,699)
(2,478)	Other	473
0	Past Service Cost	223
825	Liabilities assumed/(extinguished) on settlements	0
(6,674)	Benefits Paid	(7,851)
<b>264,908</b>	Closing Balance at 31 March	<b>259,765</b>

## Local Government Pension Scheme assets comprised:

Quoted in Active Markets 2020/21 £'000	Unquoted in Active Markets 2020/21 £'000	Total 2020/21 £'000		Quoted in Active Markets 2021/22 £'000	Unquoted in Active Markets 2021/22 £'000	Total 2021/22 £'000
			Fixed Interest Government Securities:			
1,762	0	1,762	UK	1,748	0	1,748
0	0	0	Overseas	0	0	0
<b>1,762</b>	<b>0</b>	<b>1,762</b>	<b>Sub-total Fixed Interest Government Securities</b>	<b>1,748</b>	<b>0</b>	<b>1,748</b>
			Index Linked Government Securities:			
2,747	0	2,747	UK	2,622	0	2,622
0	0	0	Overseas	0	0	0
<b>2,747</b>	<b>0</b>	<b>2,747</b>	<b>Sub-total Index Linked Government Securities</b>	<b>2,622</b>	<b>0</b>	<b>2,622</b>
			Corporate Bonds:			
15,782	0	15,782	UK	16,083	0	16,083
0	0	0	Overseas	0	0	0
<b>15,782</b>	<b>0</b>	<b>15,782</b>	<b>Sub-total corporate bonds</b>	<b>16,083</b>	<b>0</b>	<b>16,083</b>
			Equities:			
25,721	0	25,721	UK	27,446	0	27,446
65,191	0	65,191	Overseas	69,052	0	69,052
<b>90,912</b>	<b>0</b>	<b>90,912</b>	<b>Sub-Total equities</b>	<b>96,498</b>	<b>0</b>	<b>96,498</b>

11,193	413	11,606	Property: All	11,887	699	12,587
<b>11,193</b>	<b>413</b>	<b>11,606</b>	<b>Sub-Total Property</b>	<b>11,887</b>	<b>699</b>	<b>12,587</b>
			Others:			
0	4,731	4,731	Hedge Fund	350	4,895	5,245
476	8,859	9,335	Private Equity	524	12,237	12,761
921	4,096	5,017	Infrastructure	1,049	5,944	6,993
730	0	730	Commodities	1,049	0	1,049
5,176	0	5,176	Bonds	0	0	0
0	0	0	Credit – Diversified Income	7,867	0	7,867
0	1,556	1,556	Private Debt	0	1,748	1,748
2,509	429	2,938	Other Diversified Alternatives	2,447	175	2,622
0	-111	-111	Forward Current Contracts	0	175	175
7,081	0	7,081	Cash/Temporary Investments	6,643	0	6,643
<b>16,893</b>	<b>19,560</b>	<b>36,453</b>	<b>Sub-Total Others</b>	<b>19,929</b>	<b>25,174</b>	<b>45,103</b>
			Net Current Assets:			
111	0	111	Debtors	175	0	175
0	-603	-603	Creditors	0	0	0
<b>111</b>	<b>-603</b>	<b>-492</b>	<b>Sub-Total Net Current Assets</b>	<b>175</b>	<b>0</b>	<b>175</b>
<b>139,399</b>	<b>19,370</b>	<b>158,769</b>	<b>Total assets</b>	<b>148,943</b>	<b>25,873</b>	<b>174,716</b>

### Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Barnett Waddington, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

2020/21		2021/22
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
21.1	Men	21.2
23.6	Women	23.7
	<u>Longevity (in years) at 65 for future pensioners:</u>	
22.0	Men	22.1
25.0	Women	25.1
3.2%	Rate of increase in salaries	3.6%
2.9%	Rate of increase in pensions	3.3%
2.0%	Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Sensitivity Analysis:</b>	<b>Increase in Assumptions £'000s</b>	<b>Decrease in Assumptions £'000s</b>
<b>Adjustment to Discount Rate (increase or decrease by 1%)</b>		
Present Value of Total Obligation	5,260	(5,375)
Projected Service Cost	199	(203)
<b>Adjustment to Long Term Salary (increase or decrease by 1%)</b>		
Present Value of Total Obligation	(847)	837
Projected Service Cost	3	4
<b>Adjustment to Pension/Revaluation (increase or decrease by 1%)</b>		
Present Value of Total Obligation	(4,489)	4,395
Projected Service Cost	(202)	197
<b>Adjustment to Life Expectancy (increase or decrease by 1 year)</b>		
Present Value of Total Obligation	(12,076)	11,523
Projected Service Cost	(325)	313

### **Impact on the Council's Cash Flow**

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

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

Employer contributions payable to the scheme in 2021/22 are estimated to be £4.981m.

#### **Note 45 – Contingent Liabilities**

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There is one contingent liability as at 31 March 2022.

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

#### **Note 46 – Contingent Assets**

The Council has no Contingent Assets as at 31<sup>st</sup> March 2022.

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

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

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

#### **Overall Procedures for Managing Risk**

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

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

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

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

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 2<sup>nd</sup> March 2021. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website ([www.lincoln.gov.uk](http://www.lincoln.gov.uk)). The key issues during 2021/22 were:

- The Authorised Limit for 2021/22 was forecast to be £160m (revised to £140m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £145m (revised to £137m). This is the expected level of debt and other long-term liabilities during the year. The maximum amounts of fixed and variable interest rate exposure were set at £125m and £53m (mid year update) based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

## **Credit risk**

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

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

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

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

The full Investment Strategy for 2021/22 was approved by full Council on 2<sup>nd</sup> March 2021.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the Fitch credit rating agency and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions:

	Carrying Values at 31/03/22 £'000 a	Historical experience of default % b	Adjusted for market conditions at 31/03/22 % c	Estimated maximum exposure to default £'000 (a * c)
Deposits with banks and financial institutions				
• AAA* rated counterparties (investments up to 1 year)	28,850	0.0000%	0.0000%	0
• AA-* rated counterparties (investments up to 1 year)	0	0.0000%	0.0000%	0
• A* rated counterparties (investments up to 1 year)	9,000	0.0168%	0.0168%	2
• A+* rated counterparties (investments up to 1 year)	10,000	0.0133%	0.0133%	1
• A- rated counterparties (investments up to 1 year)	2,000	0.0070%	0.0070%	0
Debtors	8,891	7.17%**	7.17%	637
	<b>58,741</b>			<b>640</b>

\*See Glossary for a definition of ratings

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

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

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

## Analysis of Investments by country of origin

		Short term		Long term	
	Principal invested	Fixed rate	Variable rate	Fixed rate	Variable rate
	£'000	£'000	£'000	£'000	£'000
<b><u>UK Local Authorities</u></b>					
Brentwood Borough Council	0	0	0	0	0
<b><u>UK Banks &amp; Building Societies</u></b>					
Lloyds TSB Bank plc	3,000	3,000	0	0	0
Santander	7,000	7,000	0	0	0
National Westminster Bank Plc (RFB)	2,000	2,000	0	0	0
Standard Chartered Bank	7,000	7,000	0	0	0
Close Brothers Ltd	2,000	2,000	0	0	0
<b><u>UK Money Market Funds</u></b>					
Aberdeen Standard MMF	7,000	0	7,000	0	0
BlackRock MMF	3,050	0	3,050	0	0
BNP Paribas MMF	7,000	0	7,000	0	0
Federated Investors (UK) MMF	3,500	0	3,500	0	0
Goldman Sachs MMF	4,200	0	4,200	0	0
Morgan Stanley MMF	4,100	0	4,100	0	0
<b>Total Investments</b>	<b>49,850</b>	<b>21,000</b>	<b>28,850</b>	<b>0</b>	<b>0</b>

The Council allows credit for its trade debtors, such that £1,006,720 of the £3,516,980 balance is not past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/21 £'000		31/03/22 £'000
450	Less than three months	269
201	Three to six months	399
214	Six months to one year	521
1,317	More than one year	1,321
<b>2,182</b>	<b>Total</b>	<b>2,510</b>

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

## Liquidity risk

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows: -

31/03/21 £'000		31/03/22 £'000
9,418	Less than one year	14,931
8,215	Between one and two years	2,720
6,072	Between two and five years	3,588
101,451	More than five years	105,654
<b>125,156</b>	<b>Total</b>	<b>126,893</b>

## Market risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury

team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

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

2020/21		2021/22
£'000		£'000
(252)	Increase in interest receivable on variable rate investments	(255)
<b>(252)</b>	<b>Impact on Income and Expenditure Account</b>	<b>(255)</b>
(172)	Share of overall impact credited to the HRA	(174)
(80)	Share of overall impact credited to the General Fund	(81)
<b>(252)</b>	<b>Total</b>	<b>(255)</b>

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

**Price risk** - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.82m in a number of joint ventures and in local industry. Whilst these holdings are generally liquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The majority of the shareholdings are in the Dunham Bridge Company (£0.504m) and Investors in Lincoln (£0.312m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

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

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

# HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2022

2020/21		Notes	2021/22	2021/22
£'000			£'000	£'000
	<b>Expenditure</b>			
(7,574)	Repairs and Maintenance	5	(8,428)	
(7,457)	Supervision and Management		(7,803)	
(129)	Rents, rates, taxes and other charges		(607)	
5,734	Depreciation, impairment and other adjustments for non-current assets		8,648	
(5)	Debt management costs		(1)	
(279)	Movement in the allowance for bad debts		(284)	
<b>(9,710)</b>	<b>Total Expenditure</b>			<b>(8,475)</b>
	<b>Income</b>			
28,115	Dwelling rents		28,700	
645	Non-dwelling rents		352	
0	Other Income		766	
316	Charges for services and facilities		262	
<b>29,076</b>	<b>Total Income</b>			<b>30,080</b>
<b>19,366</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>21,605</b>
(894)	Transfer from HRS			(1,359)
<b>18,472</b>	<b>Net Cost for HRA Services</b>			<b>20,246</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
173	Gain or (loss) on the sale of HRA assets			904
(2,427)	Interest payable and similar charges			(2,425)
23	Interest and investment income			24
(726)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9		(766)
453	Capital grants and contributions receivable			4,353
<b>15,968</b>	<b>Surplus or (deficit) for the year on HRA services</b>			<b>22,336</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2020/21 £'000		2021/22 £'000
996	<b>Balance on the HRA at the end of the previous year</b>	1,075
15,967	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	22,336
(14,555)	Adjustments between accounting basis and funding basis under statute	(22,054)
<u>1,412</u>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<u>282</u>
(1,334)	Transfers (to) or from reserves	(331)
<u>79</u>	<b>Increase or (decrease) in year on the HRA</b>	<u>(49)</u>
<u><b>1,075</b></u>	<b>Balance on the HRA at the end of the current year</b>	<u><b>1,025</b></u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2022, totalled 7,806 properties. The type of properties and the period in which they were built, were as follows:

Property Type	<1945 No.	1945-64 No.	1965-74 No.	>1974 No.	TOTAL No.
Low Rise Flats (Blocks up to 2 Storeys)					
1 Bed	43	888	561	536	2,028
2 Bed	5	119	80	105	309
3 Bed	0	0	12	1	13
<b>Sub-Total</b>	48	1,007	653	642	2,350
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	0	50	237	267	554
2 Bed	0	214	111	149	474
3 Bed	0	15	4	1	20
4 Bed	0	1	0	0	1
<b>Sub-Total</b>	0	280	352	417	1,049
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	55	138	0	193
2 Bed	0	30	71	0	101
<b>Sub-Total</b>	0	85	209	0	294
Houses / Bungalows					
1 Bed	157	143	32	25	357
2 Bed	715	757	98	330	1,900
3 Bed	789	537	68	303	1,697
4 or more Beds	96	25	1	28	150
<b>Sub-Total</b>	1,757	1,462	199	686	4,104
<b>Total Dwellings 31 March 2022</b>	<b>1,805</b>	<b>2,834</b>	<b>1,413</b>	<b>1,745</b>	<b>7,806</b>

### Note 2 – Housing Revenue Account Assets Valuation

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

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

	<b>£ 000</b>
Vacant possession value of council dwellings at 31 March 2022	711,406
Balance sheet valuation applying the Social Housing discount factor	298,791

The Balance Sheet value of HRA Assets is as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
273,835	Council Dwellings	298,791
5,897	Other Operational Assets	4,494
21,885	Non-Operational Assets	18,015
<b>301,617</b>	<b>Total at 31 March</b>	<b>321,300</b>

### Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

#### Depreciation:

<b>2020/21</b>	<b>Operational Assets:</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
6,348	Council Dwellings	7,145
351	Other Operational Assets	278
<b>6,698</b>	<b>Total at 31 March</b>	<b>7,423</b>

### Note 4 – Major Repairs Reserve

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

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
<b>(9,168)</b>	<b>Balance on 1 April</b>	<b>(14,141)</b>
	Amount transferred from the HRA	
	- Depreciation	
(6,348)	Dwellings	(7,145)
(351)	Other Assets	(280)
(2,898)	- Other revenue contributions	(2,365)
<b>(18,764)</b>		<b>(23,929)</b>
4,624	- HRA Capital Expenditure	3,842
<b>(14,139)</b>		<b>(20,088)</b>

## Note 5 – Housing Repairs Account

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

2020/21 £'000		2021/22 £'000
<b>(595)</b>	Balance on 1 April	<b>(1,351)</b>
	<b>Expenditure in year</b>	
2,221	Tenant Notified Repairs	3,702
1,899	Void Repairs	1,949
1,710	Servicing Contracts	1,762
(8)	Painting Programme	24
60	Asbestos Removal/Surveys	107
0	Specialist Property Surveys	3
363	Aids & adaptations	392
13	Aids & adaptations (Non HRS)	17
84	Cleansing	89
81	Minor Works	0
47	Decoration Grants	58
1	Tenants Compensation	0
990	COVID Charges	64
92	Skip Recharges	99
27	Control Centre Recharge	27
8	Estate Shops	0
(13)	Other Expenditure	137
<b>7,575</b>		<b>8,428</b>
	<b>Income in year</b>	
(7,575)	Contribution from HRA	(8,326)
(750)	Contribution to HRA	0
0	Repairs Account Income	(101)
0	Contribution from Leaseholders	0
(5)	Interest Received in year	0
<b>(8,330)</b>		<b>(8,428)</b>
<b>(1,351)</b>	<b>Surplus Balance on 31 March</b>	<b>(1,351)</b>

## Note 6 – Capital Expenditure in the year

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

2020/21 £'000		2021/22 £'000
	<b>Capital investment</b>	
16,377	Property, Plant and Equipment – HRA	15,263
0	Property, Plant and equipment – GF used as council housing	1
0	Non-Current Assets held for sale	0
0	Intangible Assets	0
0	Revenue Expenditure funded from Capital under Statute	0
<b>16,377</b>		<b>15,264</b>
	<b>Sources of funding</b>	
(1,504)	Capital Receipts	(867)
(48)	Revenue Contributions	(21)
(4,625)	Major Repairs Reserve	(3,842)
(8,099)	Prudential Borrowing	(4,178)
(2,101)	Government grants and other contributions	(6,356)
<b>(16,377)</b>		<b>(15,264)</b>
<b>0</b>	<b>Balance unfunded at 31 March</b>	<b>0</b>

\* REFCUS is created when expenditure has been incurred on items that are not capitalised as assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.000m for 2021/22 (£0.000m in 2020/21).

Prior to the implementation of HRA Self-financing on 1 April 2012, supported borrowing levels had been issued annually by Central Government, authorising the Council to borrow monies, which were funded by Central Government to cover capital expenditure. Additionally, the Council was able to take out unsupported or prudential borrowing, which must be financed from its own resources. Post self-financing implementation and the end of the housing subsidy system, all borrowing will be prudential borrowing. In 2021/22, there was £4.178m of prudential borrowing undertaken to fund the HRA capital investment.

## Note 7 - Capital Receipts

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

2020/21 £'000		2021/22 £'000
	Council dwellings	
(1,559)	- Right to Buy	(3,156)
(60)	- Discounts repaid	(102)
	Other Receipts	
	- Land Sales reimbursements	0
	- Reimbursement of expenditure on	0
0	General Fund property on sale	0
	Land receipts	
(1,620)		(3,256)
529	Less Pooled (Paid to Central Government)	529
<b>(1,091)</b>	<b>Total</b>	<b>(2,727)</b>

## Note 8 - Rent Arrears

During the year 2021/22 total rent arrears decreased by £29k equal to -1.35%, to £2.125m. A summary of rent arrears and prepayments is shown in the following table:

2020/21 £'000		2021/22 £'000
1,218	Current Tenant Arrears @ 31 March	1,165
936	Former Tenant Arrears @ 31 March	960
2,154	<b>Total Rent Arrears</b>	2,125
(191)	Prepayments @ 31 March	(242)
<b>1,963</b>	<b>Net Rent Arrears</b>	<b>1,883</b>

A provision for doubtful debts of £284,251 has been made in this year's accounts in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of the bad debt provision held in the Balance Sheet at 31 March 2022 is £2.016m (£1.907m at 31 March 2021).

## Note 9 - Pension Costs

In line with the full adoption of IAS 19 'Employee Benefits' the Net Cost of Services includes the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required when determining the movement on the HRA Balance for the year is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the HRA in the Movement on the Housing Revenue Account Statement. The following transactions have been made in the HRA during the year:

2020/21		2021/22
£'000		£'000
	<b>HRA Income &amp; Expenditure Statement</b>	
2,365	Current Service Cost	2,737
0	Past Service Costs	0
726	Net interest expense	766
<b>3,091</b>	<b>Total</b>	<b>3,503</b>
(1,793)	Amount to be met from HRA	(1,806)
<b>1,298</b>	<b>Movement on Pension Reserve</b>	<b>1,697</b>

# THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £'000 Total		2021/22 £'000 Council Tax	2021/22 £'000 NNDR	2021/22 £'000 Total	Note
<b>INCOME</b>					
(45,458)	Council Tax Payers	(47,853)	0	(47,853)	2
(108)	Income from Ministry of Defence	(115)	0	(115)	
(16,681)	Income from Business Ratepayers	0	(33,168)	(33,168)	3
<b>(62,247)</b>		<b>(47,968)</b>	<b>(33,168)</b>	<b>(81,136)</b>	
<b>EXPENDITURE</b>					
Precepts:					
6,915	- City of Lincoln Council	6,956	0	6,956	
33,024	- Lincolnshire County Council	33,248	0	33,248	
6,206	- Police & Crime Comm. Lincolnshire	6,491	0	6,491	
Business Rates:					
22,372	- Payments to Government	0	21,641	21,641	3
17,707	- Payments to City of Lincoln Council	0	17,164	17,164	3
4,426	- Payments to Lincs County Council	0	4,291	4,291	3
143	- Cost of Collection	0	144	144	
Bad and Doubtful Debts					
333	- Provisions	410	(64)	346	
299	- Write Offs	255	126	381	
432	- Provision for appeals	0	(952)	(952)	
1,185	Transfer of Collection Fund Surplus	(510)	(27,665)	(28,175)	4
<b>93,042</b>		<b>46,850</b>	<b>14,685</b>	<b>61,535</b>	
<b>30,795</b>	<b>Deficit / (Surplus) for the year</b>	<b>(1,118)</b>	<b>(18,483)</b>	<b>(19,601)</b>	
<b>COLLECTION FUND BALANCE</b>					
(907)	Balance brought forward at 1 <sup>st</sup> April	1,311	28,576	29,887	
30,794	Deficit/(Surplus) for the year (as above)	(1,118)	(18,483)	(19,601)	
<b>29,887</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>193</b>	<b>10,093</b>	<b>10,286</b>	
<b>Allocated to:</b>					
11,626	- City of Lincoln Council	29	4,037	4,066	
3,796	- Lincolnshire County Council	136	1,009	1,145	
177	- Police & Crime Comm. Lincolnshire	27	0	27	
14,288	- Government	0	5,048	5,048	
<b>29,887</b>		<b>192</b>	<b>10,093</b>	<b>10,286</b>	

## NOTES TO THE COLLECTION FUND

### Note 1 - General

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

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. For 2021/22, the City of Lincoln's proportionate share remained consistent with that of 2020/21, as follows:

	<b>2021/22 'Pool'</b>
City of Lincoln	40%
Lincolnshire County Council	10%
Central Government	50%

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

## Note 2 - Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2021/22 was 24,372.38 (24,689.50 in 2020/21). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2021/22 was approved at the Executive on 4<sup>th</sup> January 2021 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	50	47	25
A	6/9	25,850	22,953	15,302
B	7/9	8,582	7,898	6,143
C	8/9	4,683	4,364	3,879
D	9/9	2,420	2,288	2,288
E	11/9	1,076	1,025	1,253
F	13/9	376	361	521
G	15/9	138	143	238
H	18/9	12	16	31
<b>Total</b>		<b>43,187</b>	<b>39,095</b>	<b>29,682</b>
Deduction for Non-Collection				(668)
Crown Properties Adjustment				58
<b>Adjusted to Band D Equivalent</b>				<b>29,072</b>
Council Tax Relief Scheme				(4,700)
<b>Tax Base for the Calculation of Council Tax</b>				<b>24,372</b>

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

Income received from Council Taxpayers in 2021/22 was £47.853m (£45.458m in 2020/21).

## Note 3 - Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. Historically the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. For 2021/22, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

	2020/21 'Pool'	2021/22 'Pool'
City of Lincoln	40%	40%
Lincolnshire County Council	10%	10%
Central Government	50%	50%

The business rates shares payable for 2021/22 were estimated before the start of the financial year as **£21.455m** (£22.130m in 2020/21) to Central Government, **£4.291m** (£4.426m in 2019/20) to LCC and **£17.164m** (£17.704m in 2020/21) to the City of Lincoln Council. These sums have been paid in 2021/22 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government or to Top-up authorities within an NNDR Pooling arrangement are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In 2021/22 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of **£13.094m** (£13.094m in 2020/21).

The total income from business rate payers collected in 2021/22 was **£33.168m** (£16.681m in 2020/21).

In addition to the top up/tariff, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income (either through support from Central Government if they are not in a NNDR Pool/Pilot or as first call on gains from pooling/pilot if authorities are members of an NNDR Pool/Pilot). For the City of Lincoln the value of the safety net figure (net of tariff) is **£3.528m** (£3.528m in 2020/21). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2021/22.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31<sup>st</sup> March 2022. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. **The total provision withdrawn from the collection fund for 2021/22 has been calculated at £0.952m (£0.432m was added in 2020/21).**

For 2021/22, the total non-domestic rateable value at the year-end is **£111.3m** (£112.4m in 2020/21). The national multipliers for 2021/22 were **49.9p** for qualifying Small Businesses, and the standard multiplier being **51.2p** for all other businesses (49.9p and 51.2p respectively in 2020/21).

#### Note 4 - Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2021 it was estimated that the Collection Fund would have a Council Tax deficit of **£1.106m** (£0.383m surplus in January 2020) and a Business Rates deficit of **£27.665m** (£0.802m surplus in January 2020), a combined Collection Fund deficit of **£28.771m** (£1,185m surplus in January 2020) and so the following amounts were due to or from the preceptors in 2021/22:

2020/21 £'000		2021/22 £'000
(202)	City of Lincoln Council	11,232
(88)	Lincolnshire County Council	3,558
(52)	Police & Crime Comm. Lincolnshire	149
(843)	Central Government	13,833
<b>(1,185)</b>	<b>Total</b>	<b>28,771</b>

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

## 1 The council's responsibility for sound governance

### 1.1 Scope of responsibility

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

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control) and based on the principles of the "Delivering Good Governance in Local Government Framework 2016"

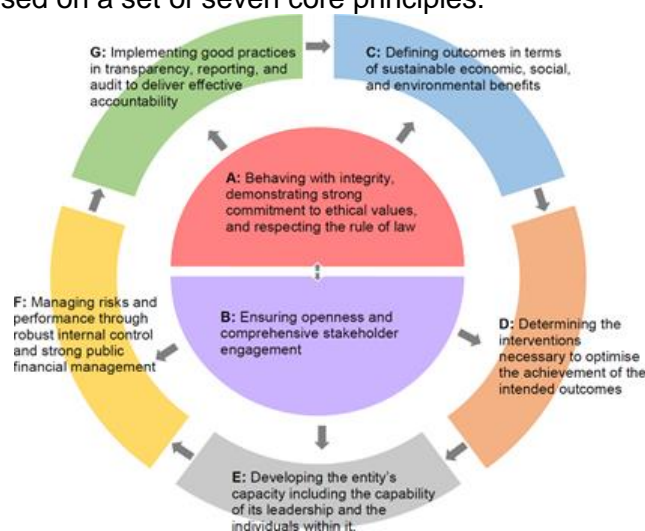
How we are meeting these defined responsibilities is detailed in the City of Lincoln's Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. [www.lincoln.gov.uk](http://www.lincoln.gov.uk)

The council's Code of Corporate Governance, comprehensively reviewed in 2017, is updated annually. A further comprehensive review was completed in April 2021, considering the impact of COVID-19.

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

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

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



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

<b>KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK</b> Key elements of the governance framework at City of Lincoln Council are summarised below:	
<b>Council, Executive, Leader</b> <ul style="list-style-type: none"> <li>❖ Provide leadership; set, develop and implement policy</li> <li>❖ Ensure the Vision 2025 strategies are taken forward</li> <li>❖ Develop, adopt and implement the budget framework</li> <li>❖ Support the city's diverse communities and neighbourhoods to thrive</li> </ul>	<b>Leadership and decision making</b> <ul style="list-style-type: none"> <li>❖ All decision meetings held in public (except those identified as 'part B')</li> <li>❖ Decisions recorded on the council's public website</li> <li>❖ Resources directed according to priorities as set out in Vision 2025</li> </ul>
<b>Scrutiny and review</b> <ul style="list-style-type: none"> <li>❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account</li> <li>❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans</li> <li>❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct</li> <li>❖ Any two members can hold the Executive to account outside of scrutiny and review by requesting Call-In and reconsideration of an Executive decision</li> </ul>	<b>Risk management</b> <ul style="list-style-type: none"> <li>❖ Risk registers identify both operational and strategic risks</li> <li>❖ Strategic risks are considered by CMT and Executive every quarter</li> <li>❖ Internal audit provides independent objective assurance</li> <li>❖ Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit</li> </ul>
	<b>Corporate Management Team (CMT)</b> <ul style="list-style-type: none"> <li>❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT)</li> <li>❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community</li> <li>❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government</li> <li>❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct</li> </ul>

**1.4** In the following sections the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months. The first of these sections covers how the council has maintained good governance during the COVID-19 pandemic – some of the activities mentioned are also mentioned under the core principles.

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

As with all councils the COVID-19 pandemic caused major disruption to the day to day work of the council, including cancellation of some committee meetings, and changing

priorities to protect our most vulnerable residents and local businesses. This meant there was a need to initiate business continuity procedures as well as introducing new or varied governance arrangement in some areas.

#### **Actions taken to address the impact of the COVID-19 pandemic in 2021/22:**

- Co-ordinated response to the pandemic working with Lincolnshire Local Resilience Forum
- High levels of social media relating to the pandemic to support residents in knowing what to do, (or not to do), where and when
- Review of governance arrangements following introduction of the Coronavirus Act 2020, including introduction of virtual council and other key meetings
- Restoration of statutory meetings in public when required, retention of on-line meetings as default method to minimise risks
- Development of policies and procedures to enable delivery of services, including critical services, whilst ensuring protection of staff and customers.
- Prioritisation of resources to ensure recovery and ongoing provision of key services
- Support for local businesses in applying for business rate-payers discounts and business grants payments
- Further HR interim procedures and checklists for managers introduced to support employees working from home and support their health and wellbeing
- Development of activities to support the city and high street, including leading on multi-agency partnership to support high street recovery.
- One Council – under the Organisational Development pillar we have put in place processes and revised policies as required in response to COVID-19, particularly around work styles and support for staff and members to ensure we have the governance in place to make sure these new ways of working and new activities are fit for purpose
- Implementation of ongoing support for the community and vulnerable persons through working with partner organisations
- Ensure processes in place to enable businesses in the city to access support, e.g. Environmental Health Officer utilising legal powers to manage re-opening of businesses under COVID-19
- Management of the financial impacts of COVID-19, including an MTFS review
- Performance reporting re-instated for all relevant services, with targets adjusted to reflect the new working environments where appropriate.
- Progressing of access to various central funding pots to support High Street recovery including accessing ERDF funding for the Welcome Back project
- A full mid-term review of Vision 2025, in particular considering the effect of Covid-19 on the physical and mental health of residents, and what the council could do through changing strategic priorities to support them. Development of a three year action plan for 2022/25 .
- A full review of all Business Continuity Plans to ensure that new working styles are considered as part of the new norm.
- Full roll out of Office 365 and IT equipment to all staff to enable working from home wherever and whenever necessary
- Adding a new (temporary) chapter to the Lincoln City Profile to cover data on Covid 19
- Protecting Vulnerable People (PVP) Group commissioned an audit to cover the impact from Covid on PVP/ safeguarding. (To Audit March 2022)

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

- Evidenced review of the longer-term effects of Covid on the city (especially health) as coming through in the Lincoln City Profile and 2021 census data

- Delivery of phase one of the three year action plan, with confirmation of the projects to commence in phase two
- Review of Business Continuity plans alongside the new IT disaster Recovery plan which will include coverage of all risks highlighted through the pandemic experience

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

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

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

### **Activity within Principle A in 2021/22:**

- Communications plan in place for Protecting Vulnerable People (PVP) (social media)
- A full annual review of the Code of Corporate Governance was conducted
- Regular portfolio holder meetings held including COVID-19 effects in the earlier months of the year
- Revised audit plan developed to meet governance needs
- Regular attendance at both CLT and Service Managers meeting by the Data Protection Officer to provide clear information on any changes of regulations, risks or procedures
- Internal Audit conducted on Risk – which achieved substantial assurance.
- Counter Fraud Strategy revised and approved July 2021
- Anti-bribery Policy revised and approved December 2021
- Homes England report on compliance audit report – green: meets standards
- Review of the Regulation of Investigatory Powers Policy
- Domestic Abuse Board for Lincolnshire established and CoLC compliant with legislative requirements
- Internal audit on Protecting Vulnerable People completed
- An External Quality Assessment of Internal Audit completed for 2021/22 with positive results

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

- Annual update Code of Corporate Governance
- Undertake Assessment against HIA requirements – Sept 2023
- Assess outcome of external quality assessment of Internal Audit and develop action plan
- Update member code of conduct in accordance with government guidelines
- Review of needs to meet the proposed Subsidy Control Bill
- Review of needs to meet the Electoral Integrity Bill
- Adults safeguarding Audit (LAAF) – 2022
- Review proposals for a peer review on Children's safeguarding in 2022
- Review proposals in the Levelling UP and Regeneration Bill
- Modern Slavery Charter and Statement to be reviewed

## 1.7 CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

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

### Activity within Principle B in 2021/22:

- Regular staff briefings on COVID-19 updates and impacts via electronic newsletter from CX
- Consultation with service users ahead of changes to service delivery (e.g. Resident's Parking proposals, Vision 2025 mid-term review, Medium Term Financial Strategy and Council Tax proposals)
- Consultation with partner organisations ahead of changes to funding arrangements (Dial a ride and Citizens Advice)
- Revised Consultation and Engagement Strategy approved September 2021
- Citizen Panel consultation regarding High Street recovery completed to inform action plan
- A new HUB communication intranet has been developed and populated with key corporate information in an easily accessible and user friendly format
- Consultation on the new Central Lincolnshire Local Plan completed
- Revision of the Lincoln Tenant's Panel constitution to make it more Strategic in nature
- Temporary solution to the lack of customer feedback (following Covid-19) has been implemented via an automated text call back system

### Proposed activity for the coming year:

- Complete the review of the Consultation and Engagement staff guidance
- Consultation with service users relating to Climate Change
- Conduct a review of the Citizens Panel make up and then a large scale recruitment exercise to increase the panel size and to try and match the city's demographics more closely
- Consider further engagement with wider range of stakeholders for budget consultation
- Develop a 'Community Development Toolkit' for local Ward Councillors to provide additional help and support within their community
- Develop more permanent and usable feedback systems for services.

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

Vision 2025 is the council's vision for the five years to 2025 and forms the second phase of our Vision from 2017 to 2030. As with previous strategic plans, Vision 2025 was developed using a robust evidence base including information gained through consultation with local residents and businesses, and evidence from the Lincoln City Profile. The priorities in Vision 2025 remain broadly similar, but with the addition of a priority to address the challenges of climate change:

- Let's drive inclusive economic growth
- Let's reduce all kinds of inequality

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

Although the plan was adopted in February 2020, little progress was made during 2020/21 due to the pandemic, although a number of key large projects did continue as soon as restrictions allowed. (e.g. Boultham Park restoration; De Wint Court build). Those projects that continued were monitored through their respective MEGA Boards. Whilst 2021/22 did not see full reinstatement of the five Strategic Priority Boards, further progress towards achieving projects was made and all Portfolio Holders covered this in their annual reports.

In late 2021 a full mid-term evidence based review of the Vision 2025 was conducted with the aim of reprioritising projects to include a number of new programmes aimed at supporting Lincoln residents in regaining their physical and mental health where it had been impacted by the pandemic. This member led review was consulted with residents, businesses and the voluntary sector in January/February 2022 and approved by Council in Late February 2022.

#### **Activity within Principle C in 2021/22:**

- Approval of the MTFS which is a financial representation of the council's Vision 2025
- Ongoing development for embedding sustainability over the next 3 to 5 years including the appointment of a full time Climate Change Manager.
- Mid-term review of Vision 2025 to support the recovery of the city, the health of its residents, the council economically and ensure community support approved February 2022
- One Council programme development in the IT areas, accelerated as a need to respond to Covid-19, resulting in roll out of appropriate electronic kit to all staff
- Key partner in Infrastructure Recovery Cell covering Lincolnshire, which includes housing, to ensure infrastructure is in place enabling growth plans to be implemented
- Following successful bid for £19m Town's funding – the development of a work programme and a new Town Deal Board to monitor progress
- Revised Environmental Policy approved September 2021
- Decarbonisation Strategy and Action Plan approved December 21
- Affordable Warmth Strategy approved
- A one-year Housing Business Plan approved for 2022/23
- Full update of the Lincoln City Profile conducted to provide an evidence base for decisions

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

- Re-energised implementation on the place strategy for Park Ward/Sincil Bank, highlighted as an area for regeneration following delay as a result of Covid-19.
- Public communication of the next phase of the three-year Vision 2025 Delivery Plan
- A 30 year Housing Business Plan to be developed for the period 2023 – 2053
- Census data to be audited for accuracy and then included in the new City profile

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

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Whilst service plans for 2021/22 were not completed, work has continued to ensure robust service management during the recovery stage. All projects are subject to the Lincoln Project Management Model (LPMM), through which we

continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

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

**Activity within Principle D in 2021/22:**

- TFS programme delivered the required MTFS savings target
- Development of One Council through the four pillars – Organisational Development, Creating Value Processes, Use of Assets and Technology
- Office 365 pilot extended to a full roll out to all staff with laptops/desktops
- Technology introduced to adapt to COVID-19
- Review of team workstyles to understand and distribute appropriate technology
- Refreshed infrastructure platform
- Housing repairs online pilot progressed – to enable booking of repairs online.
- A review of My-Info has been completed resulting in a recommendation for a new system

**Proposed activity for the coming year:**

- Deliver a five year ICT Strategy
- Deliver a new IT Disaster Recovery Plan
- My Info replacement system to be procured in 2022/23
- Establish micro-sites for key services, e.g. Xmas Market, Building Control, Visitor services.
- Identify top 10 interactions with customers and move to online forms where possible to take pressure off contact centre.

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

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. We have a programme in place under the organisational development pillar of our One Council approach which will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city and is effectively engaged to champion the council's priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2025 objectives.

**Activity within Principle E in 2021/22:**

- HR policies relating to home working have been reviewed with training delivered to managers and team leaders
- Continued regular HR line management briefings
- Weekly briefings from Chief Executive continued through key pandemic stages and whilst now reduced in frequency, still cover any important changes/updates on a monthly basis
- Development of One Council pillars – Organisational Development and Create Value Processes, including rolling out Office 365 and remote working and introduction of Microsoft Teams for all staff on a planned roll out basis
- Review of space at City hall and Hamilton House to support new ways of working
- Citizens Advice service has been brought into the main building with offices on the 1<sup>st</sup> floor next to reception areas

**Proposed activity for the coming year:**

- Needs analysis to be completed on Leadership Development

- Ongoing review of space at City Hall and Hamilton House. This will also include community centres and other buildings
- One Council organisational Pillar to review whether any new issues arise from Covid-19 that need to be addressed either temporarily or more permanently using feedback from the annual staff survey.

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

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

#### **Activity within Principle F in 2021/22:**

- TFS programme delivered the required MTFS savings target
- Progression of One Council activities – the Creating Value Processes programme
- The External auditor issued an unqualified opinion on the authority's final statement of accounts and Value for Money conclusion
- Strong response to the financial situation caused by covid-19 including, ensuring strong financial management to make sure that we manage public funds correctly, e.g. refreshed MTFS incorporating short and longer term financial impacts of Covid19, enhanced TFS programme and careful use of reserves and balances,.
- Review of the Value for Money Statement
- Re-enforcement of the revised CIPFA Financial Management Code
- Internal Audit conducted on Risk – which achieved substantial assurance
- A review of value for money arrangements to ensure requirements of the new external audit VFM assessment are met was completed

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

- Review of the Financial Procedure Rules
- Review of Contract Procedure Rules
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
- Review contaminated land inspection strategy
- Reinstatement of monthly Vision Priority meetings
- Implementation of new agreed action plan to ensure compliance with the CIPFA Financial Management Code
- A key piece of work will be to review control systems to ensure they continue to be fit for purpose with the new ways of working
- A review of the Corporate Procurement Bill to accommodate the new procurement green paper, which is going through the legal/parliamentary process

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

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

#### **Activity within Principle G in 2021/22:**

- A further review of the Code of Corporate Governance has been conducted in January 2022, taking it back onto its 'normal' schedule
- Data transparency requirements were met for the year
- A review of the Data transparency website page was conducted to improve visibility
- Data accessibility has been pushed to ensure public documents are properly accessible
- There was a full review of the targets in late 2021 with the aim of providing consistent and SMART targets for the 2022/23 year
- Progress made on defining "Significant Partnerships" and assurances on each of these

**Proposed activity for the coming year:**

- Review of Lincoln Performance Management Framework
- Further development of the performance management system
- Reinstatement of monthly Vision Priority meetings and thus the annual reports to committee

## 2. Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2021/22 through a review of the Council's Code of Corporate Governance (policies and processes) and the review process to develop the AGS and identify any significant issues, or other areas that may require monitoring. We took account of relevant governance audits, third party assurances, combined assurance work, committee reports, risk management, performance management, projects and partnership governance, Vision 2025/One Council, financial management, interviews with senior management and statutory officers.

The Head of Internal Audit is required annually to give an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. For 2021/22 the Council was performing adequately across all areas. The audit plan was reduced in 2021/22 due to a temporary reduction in staff resources pending recruitment to the Internal Audit Manager role. However audits completed included governance, risk, financial control, ICT, Covid 19 risks, Projects as well as Combined Assurance, some of which were undertaken through the use of audit consultancy firms. Internal audit was involved in supporting Covid grants during 2021/22 and to help mitigate this there are external assurances in this area through central government, NFI data matching and external audit.

Supporting this assessment is the detailed work undertaken by Internal Audit during the course of the year as part of the Internal Audit plan and Combined Assurance work. Whilst this identified some agreed actions none were considered significant enough to highlight as potential AGS significant governance issues.

There were two areas of combined assurance assessed as red; however, these risks are being managed – these were not considered significant governance issues. There were several Amber areas; one of these areas - IT DR was a 19/20 significant issue.

As at March 2021 there were a number of high priority audit recommendations both made and outstanding. Outstanding agreed actions were in respect IT security, risk management, information governance, service-related actions. Progress towards addressing these recommendations will be monitored through existing monitoring arrangements and as part of the review of the AGS none were considered significant governance issues.

## The CIPFA Financial Management Code 2019 (FM Code)

In December 2019, Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.

CIPFA acknowledged the additional extraordinary burdens faced by local authorities due to Covid19 and reflected on the extent to which was appropriate to introduce a new FM Code for 2021/22. It concluded that while the first full year of compliance would remain as 2021/2022, this would be within a more flexible framework where a proportionate approach would be encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel. Full details are reported to Audit Committee on an annual basis.

CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement should now include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. An assessment against the FM Code has been completed and the CFO reported the findings to Audit committee 22 March 2022.

The actions arising from this updated assessment (which incorporates those outstanding from 2020/2) are as follows:

- Continue to support professional development
- Review Financial Procedure Rules
- Review Contract Procedure Rules
- Undertake Assessment against Head of Internal Audit requirements
- Assess outcome of external quality assessment of Internal Audit and develop action plan
- Implementation of Finance Business Partnership approach
- Implement revised MRP policy, if required by DHLUC
- Implement revised reporting requirements required in the revised Prudential Code and Treasury Management Code
  - Consider further engagement with wider range of stakeholders for budget consultation
  - Consider if other major balance sheet items can be made more visible in quarterly reporting.

### 3 Level of assurance provided

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

### 4 Status of significant governance issues monitored from 2020/21

The council has regularly monitored its 2020/21 significant governance issues through senior management and the Audit Committee during 2021/22. Two issues were identified for monitoring:

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

action had been completed. Also the introduction of an alternative site at Hamilton House for data security has been implemented. However, COVID-19 has made such an impact to both the short and possibly long term working arrangements of the council, that it is felt that this issue should not be removed from the list of significant issues – but instead should remain with a revised focus on what the required outcome needs to be, including a review of the expectations of our IT recovery and resource needs to meet the agreed BC plan needs

### **THIS ISSUE WILL REMAIN – but with a revised aim and action plan**

- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19.** A decision was taken in Q3 2021/22 that rather than prepare a one year delivery plan for the Vision 2025 – a full mid-term review would be undertaken. This would allow members to incorporate new aspects affecting the city following the pandemic – such as the mental and physical health of our residents, and consideration of business needs. A full consultation was undertaken as part of this process with residents, businesses and voluntary services contacted to understand their views on priorities. This has resulted in a new three-year plan which was approved in February 2022 by Council and is available on the council website. By the end of March 2022, priorities will have been built into Service Plans.

### **THIS ISSUE HAS ALREADY BEEN APPROVED AS TURNING TO GREEN STATUS DUE TO THE LEVEL OF PROGRESS – SO WILL NOT FEATURE IN THE NEW AGS SIGNIFICANT ISSUES**

## **5 Significant governance issues identified from 2021/22**

### **New significant issues identified from 2021/22**

There were no NEW significant issues identified, but as noted above, there will be a revised focus on one of the previous year's issues. A new action/monitoring plan will be drawn up for monitoring purposes.

## **7 Conclusion**

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

### **Signed**



Cllr R Metcalfe, Leader:

**Date: 7<sup>th</sup> July 2022**



Angela Andrews, Chief Executive:

**Date: 7<sup>th</sup> July 2022**

## GLOSSARY

### **AAA FITCH RATING**

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

### **AA FITCH RATING**

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

### **A FITCH RATING**

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The modifier "+" or "-", may be appended to the rating to denote relative status within the category.

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### **ASSET**

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

**BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**BORROWING**

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

**BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

**CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific period of time.

**CAPITAL RECEIPT**

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**CLAW-BACK**

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

**COLLECTION FUND**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

**COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **CREDITOR**

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## **DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **DEFERRED CHARGES**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

## **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **EQUITY**

The Council's value of total assets less total liabilities.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FAIR VALUE INPUT LEVELS**

Basis for recurring fair value measurements:

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

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

**HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount in the Balance Sheet.

**INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

## **NET BOOK VALUE**

The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

## **NET DEBT**

The Council's borrowings less cash and liquid resources.

## **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services

## **NON-OPERATIONAL ASSETS**

Assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## **OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

## **OPERATIONAL ASSETS**

Assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

## **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PUBLIC WORKS LOAN BOARD (PWLb)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

## **RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

## **RELATED PARTIES**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

## **RELATED PARTY TRANSACTIONS**

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**STOCKS**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.