



CITY OF
Lincoln
COUNCIL

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



CONTENTS

| | PAGE |
|---|------|
| Narrative Report | 3 |
| Council Approval | 23 |
| Statement of Responsibilities for the Statement of Accounts | 24 |
| Movement in Reserves Statement | 25 |
| Comprehensive Income and Expenditure Statement | 27 |
| Balance Sheet | 28 |
| Cash Flow Statement | 29 |
| Index of Notes | 30 |
| Notes to the Accounts | 31 |
| Housing Revenue Account Income and Expenditure Statement | 112 |
| Movement on the Housing Revenue Account Statement | 113 |
| Notes to the Housing Revenue Account | 114 |
| Collection Fund | 119 |
| Notes to the Collection Fund | 120 |
| Independent Audit Opinion and Certificate | 124 |
| Annual Governance Statement | 125 |
| Glossary | 147 |



An introduction to the City of Lincoln's 2023/24 Statement of Accounts by J Gibson, Chief Finance Officer, Section 151 Officer.

The Statement of Accounts

The purpose of the Accounts, which follow, is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The Accounts show the financial performance for 2023/24 and the financial position at 31 March 2024. The Accounts present expenditure and income incurred by the Council in the financial year 2023/24 and highlight changes in the financial position of the Council over the course of the year.

The accounts of the Council are, by their nature, both technical and complex. The information contained within the Accounts for 2023/24 is presented as simply and clearly as possible and the Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2024 and its financial prospects.

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

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

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

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

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

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

The Core Financial Statements, comprising:

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

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

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

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

The Supplementary Statements, comprising:

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

Financial Summary 2023/24

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

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

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

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

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

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

Performance

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

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

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

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

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

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

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

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

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



Revenue Income and Expenditure

General Fund

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

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

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

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

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

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

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

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

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

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

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

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

Although the General Fund maintained a balanced budget position in 2023/24 this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget challenges have been addressed.

As at 31 March 2024, the Council held £11.525m General Fund revenue reserves, comprising £9.280m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.245m non-earmarked general reserves. General Balances are currently in line with the prudently assessed minimum requirements in the Council's Medium-Term Financial Strategy, which providing resilience for financial challenges we face.



Housing Revenue Account

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

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

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

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

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

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

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

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

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

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

Capital Expenditure

(Note 36)

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

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

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

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

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

Capital Financing

The Council's capital programme is funded by a number of sources including the application of capital receipts, capital grants, contributions from the revenue account and long-term borrowing. A summary of significant transactions in capital funding in 2023/2024 is provided below:

Capital Receipts (Note 9)

The Council utilised £2.557m of capital receipts and received £3.612m of capital receipts in the year. The majority of these will be used to support the new build programme within the Housing Investment Programme and investment in the housing stock.

Major Repairs Reserve (Note 9)

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



Long Term Borrowing (Note 18)

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

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

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

The Council's level of total principal debt outstanding (long and short-term), as at 31 March 2024 was £107.7m.

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

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

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

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

Pension Costs

(Note 41)

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

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

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

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



Future Plans

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

The Council's vision for 2025 remains as;

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

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

The five strategic priorities are:

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

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

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

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

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

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

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

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

Some of our future aims are:

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

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



General Fund

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA)

The current HRA Self-financing system has been in place since 2012 and incentivises social housing landlords to manage their assets well and yield efficiency savings. As part of this system, it was anticipated that there would be greater certainty about future income as councils were no longer subject to annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment. Council landlords were to have greater flexibility to manage their stock in the way that best suits local need with more opportunity for tenants to have a real say in setting priorities looking to the longer term.

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

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

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

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

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

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

Capital Expenditure

Despite the pressures our revenue budgets face, investment in our assets; to maintain income generation; provide new income generating assets; support service delivery and to act as a catalyst in the local economy, is still critical. Our capital strategy plans to deliver projects to the value of £108m over the next five years, with £39m estimated to be spent in 2024/25. This includes significant investment in the Council's key strategic projects notably the Western Growth Corridor development, the Lincoln Town Deal Programme, the UK Shared Prosperity Fund, and the Greyfriars development, all in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



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

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

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

Cash flows

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

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

Summary

Although both the General Fund and Housing Revenue Account have maintained balanced budget positions in 2023/24 this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget challenges have been addressed. Beyond 2023/24 we are set to face ongoing reductions in resources, increased service costs, increased service demands and the ongoing impact of the current economic conditions and cost-of-living issues. This will require ongoing reductions in the net cost base in order to live within a significantly reduced resource envelope. The Medium-Term Financial Strategy 2024-2029, approved by Full Council in March 2024, sets out the detail of the financial challenge the Council faces.

Whilst addressing the financial challenges we face in the forthcoming years we will also continue to maintain the correct balance between these challenges and ensuring that our limited resources are directed towards our current Vision 2025.

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

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

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



Group Accounts

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

The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council contributed £0.099m to the service which is contained within the Communities and Environment line of the CIES.

The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. The Council contributed £1.360m to the service which is contained within the Chief Executive's Directorate line of the CIES.

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

Further Information

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

J Gibson FCCA
Chief Finance Officer
(Section 151 Officer)

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2023 to 31 March 2024 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on xxxxx.

Councillor Alan Briggs
Chair of Council

Date: xxxx

THE STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer Responsibilities

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

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

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

The Chief Finance Officer has also:

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

The Accounts present a true and fair view of the financial position of the Authority at 31 March 2024 and its income and expenditure for the year ended on that date.



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

MOVEMENT IN RESERVES

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

MOVEMENT IN RESERVES

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2023/24

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

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

BALANCE SHEET AS AT 31 MARCH 2024

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

CASH FLOW STATEMENT

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

INDEX OF NOTES

| | PAGE |
|--|-------|
| Note 1 – Accounting Policies | 31 |
| Note 2 – Accounting Standards Issued, Not Adopted | 52 |
| Note 3 – Critical Judgements in Applying Accounting Policies | 53 |
| Note 4 – Future/Other Sources of Major Estimation Uncertainty | 54 |
| Note 5 – Prior Period Adjustment | 56 |
| Note 6 – Events after the Balance Sheet Date | 56 |
| Note 7 – Expenditure and Funding Analysis | 57 |
| Note 7A – Note to the Expenditure and Funding Analysis | 58 |
| Note 7B – Segmental Income Analysis | 60 |
| Note 8 – Expenditure and Income Analysed by Nature | 60 |
| Note 9 – Adjustment between Accounting Basis and Funding Basis under Regulation | 61 |
| Note 10 – Movements in Earmarked Reserves | 66 |
| Note 11 – Other Operating Expenditure | 69 |
| Note 12 – Financing and Investment Income and Expenditure | 69 |
| Note 13 – Taxation and Non-Specific Grant Income | 69 |
| Note 14 – Non-Current Assets including Property, Plant & Equipment | 70 |
| Note 15 – Heritage Assets | 75 |
| Note 16 – Investment Properties and Surplus Assets | 76 |
| Note 17 – Intangible Assets | 78 |
| Note 18 – Financial Instruments | 78 |
| Note 19 – Debtors including Taxation Debtors. | 83 |
| Note 20 – Cash and Cash Equivalents | 83 |
| Note 21 – Assets Held for Sale | 83 |
| Note 22 – Creditors | 84 |
| Note 23 – Provisions | 84 |
| Note 24 – Usable Reserves | 85 |
| Note 25 – Unusable Reserves | 85 |
| Notes 26–30 – Cash Flow Statement | 89-90 |
| Note 31 – Members' Allowances | 91 |
| Note 32 – Officers' Remuneration | 91 |
| Note 33 – External Audit Costs | 93 |
| Note 34 – Grant Income | 94 |
| Note 35 – Related Parties | 95 |
| Note 36 – Capital Expenditure and Capital Financing | 98 |
| Note 37 – Leases | 99 |
| Note 38 – Impairment Losses | 100 |
| Note 39 – Capitalisation of Borrowing Costs | 100 |
| Note 40 – Termination Benefits | 100 |
| Note 41 – Defined Benefit Pension Scheme | 100 |
| Note 42 – Contingent Liabilities | 106 |
| Note 43 – Contingent Assets | 106 |
| Note 44 – Nature and Extent of Risks Arising from Financial Instruments | 106 |

NOTES TO THE ACCOUNTS

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

Note 1 – Accounting Policies

1. General Principles

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

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

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

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

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

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

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

7. Employee Benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

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

Discretionary Benefits

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

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

8. Events After the Balance Sheet Date

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

Fair value measurements of financial assets

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

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

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

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

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

10. Foreign Currency Translation

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

11. Government Grants and Contributions

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

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

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

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

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

Business Improvement Districts

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

Community Infrastructure Levy

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

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

12. Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13. Interests in Companies and other Entities

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

14. Inventories and Long-Term Contracts

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

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

15. Investment Property

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

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

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

16. Joint Operations

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

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

17. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged

over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

18. Overheads and Support Services

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

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

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. Repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that

would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

20. Heritage Assets

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

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

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

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

- **Civic Insignia**

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

- **Art and Sculptures**

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

- **Musical Instruments**

The Council holds a Steinway grand piano on loan to Lincoln College and a Stradivarius violin, which is on loan to the Halle orchestra. These items are not held on our balance sheet as they are deemed to be controlled by the loanee.

- **Vehicles**

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

- **Ancient Monuments and War Memorials**

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

- **Miscellaneous**

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

Heritage Assets – General

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

21. Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event had taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely that not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

23. Reserves

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

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

24. Revenue Expenditure Funded from Capital under Statute

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

25. VAT

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

26. Fair Value

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

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

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

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

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

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

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

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

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- b) Classification of Liabilities as Current or Noncurrent (Amendments to IAS1) issued in January 2020. The amendments:
 - a. Specify that an entity's right to defer settlement must exist at the end of the reporting period
 - b. Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - c. Clarify how lending conditions affect classification, and
 - d. Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- d) Non-current Liabilities with Covenants (Amendments to IAS1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a. a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - b. targeted disclosure requirements for affected entities
- f) Supplier Finance Arrangements (Amendments to IAS7 and IFRS7) issued in May 2023. The amendments require an entity to provide additional disclosures about

its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- a. assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- b. understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Note 3 – Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- **Local Government funding** - There is a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate.
- **Pension IAS19 and IFRIC14** – Defined Pension Obligations the Council relies on valuations supplied by qualified actuaries to prepare Note 41 to reflect the net pension obligation. The initial valuation provided by the actuary was a net asset position for the funded pension scheme totalling £7.550 million. In accordance with International Financial Reporting Interpretations Committee Standard 14 (IFRIC14) – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, the Council has had to make a judgement as to whether an asset ceiling should apply to the pension valuation recognised in the Council's Balance Sheet. The Council has concluded that, as there is a statutory requirement to participate in the Local Government Pension Scheme, it does not have an unconditional right to a refund from the Pension Fund and therefore no economic benefit can be recognised. An asset ceiling calculation has been produced by the actuary on the Council's behalf based on this assumption and has had an impact of £18.825 million on the net defined liability position.

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

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

The items in the Council's Balance Sheet as at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|---|---|
| Business Rates (Balance Sheet 31 March 2023 – Provision for Business Rate Appeals £0.593m) | Since the introduction of the Business Rates Retention Scheme effective from April 2013, local authorities are liable for successful appeals against business rates charges to businesses in 2023/24 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31 st March 2024. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date. | The Council's share (40%) of the balance of business rates appeals as at 31 March 2024 amounted to £0.593m, a decrease of £1.259m (68%) from the previous year following the closure of the 2017 list and settlement of several large appeals in year. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.059m. |
| Property, Plant and Equipment (PPE) (Balance Sheet 31 March 2024 – PPE £455m) | Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets. Operational property assets are valued at the Balance Sheet date in accordance with the Royal Institute of Chartered Surveyors valuation standards and guidance. This involves the use of a number of estimation techniques including various property indices. These estimates can fluctuate as property market values and prices change in response to events. | If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.088m and for council dwellings £0.244m for every year that the useful lives had to be reduced. The Gross Book Value (GBV) of the Council's operational property assets is £466m at 31 March 2024. A 1% change in these asset valuations would result in a £4.66m change in their GBV. |

| | | |
|--|---|---|
| Assets held for sale and investment properties (Balance Sheet 31 March 2024 - assets held for sale £0.4m - Investment properties £38.3m) | Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct. | A 1% increase / decrease in the value of investment properties and assets held for sale would result in a gain / charge to the Comprehensive Income & Expenditure Statement of £0.387m. |
| Arrears Balance Sheet 31 March 2024 - Debtors total of £23.700m includes £3.491m debtors (subject to arrears) | As at 31 March 2024, the Council had a balance on current debtors of £23.700m. A review of significant balances suggested that an impairment of doubtful debts of £3.491m was required. | If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.175m to be set aside as an allowance. |
| Pension Liability (Balance Sheet 31 March 2024 - pensions liability £12.988m) | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 41. | The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £14.182m. |
| Investments (Balance Sheet 31 March 2024 Short Term - £17.831m Long Term - £0.784m) | At 31 March 2024, the Council held £17.831m of short-term investments. These include £8.543 invested in AAA-rated instant access Money Market Funds and £9m invested in A-rated UK institutions, all for periods of up to 1 year. | As most of the investments are either in AAA-rated MMF's or short-term deposits in A-rated UK banks, the risk of impairment is considered to be minimal. |
| Pension Fund Property Investment Assets Balance Sheet 31 March 2024 - Property Investment Assets £12.614m | The Council's net pension liability disclosed at note 41 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets. | Less certainty and a higher degree of caution should be attached to the Council's share of these pension fund assets. The Council's actuary has estimated that the value of the Council's share of property investment assets as at 31 March 2024 was £12.614m. |

Note 5 – Prior Period Adjustment

None

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 – Expenditure and Funding Analysis

| 2022/23 | | | 2023/24 | | | |
|---|--|---|---|--|---|---|
| Net Expenditure Chargeable to General Fund and HRA Balances | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to General Fund and HRA Balances | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 6,306 | 2,028 | 8,334 | Chief Executive's Directorate | 7,437 | 1,825 | 9,262 |
| 1,050 | 344 | 1,394 | Housing and Regeneration | 785 | 339 | 1,124 |
| (5,431) | (21,695) | (27,126) | Housing Revenue Account (HRA) | (13,035) | (1,950) | (14,985) |
| 5,896 | 2,940 | 8,836 | Communities and Environment | 4,383 | 3,127 | 7,510 |
| 458 | 3,744 | 4,202 | Major Developments | (1,580) | 2,105 | 525 |
| 1,010 | (225) | 782 | Corporate Services | 123 | 1,117 | 1,240 |
| 9,286 | (12,864) | (3,578) | Net Cost of Services | (1,887) | 6,563 | 4,676 |
| (4,764) | (16,975) | (21,739) | Other Income and Expenditure | 248 | (20,794) | (20,546) |
| 4,521 | (29,839) | (25,317) | (Surplus) or Deficit on Provision of Services | (1,639) | (14,231) | (15,870) |
| Total | | | | Total | | |
| (22,202) | | | Opening Balance GF & HRA | (17,679) | | |
| 4,521 | | | Less/ Plus (Surplus) or Deficit in Year | (1,639) | | |
| (17,679) | | | Closing Balance at 31 March GF & HRA | (19,318) | | |

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

Note 7A – Note to the Expenditure and Funding Analysis

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

| ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS | | | | | | |
|--|----------------------------------|---|-----------------------------|-----------------------------|-----------------------------------|-------------------|
| | 2022/23 | | | | | |
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Statutory Adjustments | Total Statutory Adjustments | Other (Non-statutory) Adjustments | Total Adjustments |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Chief Executive's Directorate | 272 | 257 | (20) | 509 | 1,519 | 2,028 |
| Housing and Regeneration | 0 | 90 | (23) | 67 | 277 | 344 |
| Housing Revenue Account (HRA) | (19,798) | 337 | (29) | (19,490) | (2,205) | (21,695) |
| Communities and Environment | 2,713 | 217 | (11) | 2,919 | 21 | 2,940 |
| Major Developments | 3,672 | 21 | (3) | 3,689 | 55 | 3,744 |
| Corporate | (558) | 0 | 0 | (558) | 333 | (225) |
| Net Cost of Services | (13,699) | 922 | (87) | (12,864) | 0 | (12,864) |
| Other Income & Expenditure from the Funding Analysis | (13,578) | 1,266 | (4,663) | (16,975) | 0 | (16,975) |
| Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit | (27,277) | 2,188 | (4,750) | (29,839) | 0 | (29,839) |

| ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS | | | | | | |
|--|----------------------------------|---|-----------------------------|-----------------------------|-----------------------------------|-------------------|
| | 2023/24 | | | | | |
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Statutory Adjustments | Total Statutory Adjustments | Other (Non-statutory) Adjustments | Total Adjustments |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Chief Executive's Directorate | 384 | (303) | 27 | 108 | 1,717 | 1,825 |
| Housing and Regeneration | 0 | (77) | 22 | (55) | 394 | 339 |
| Housing Revenue Account (HRA) | 1,461 | (724) | (9) | 728 | (2,678) | (1,950) |
| Communities and Environment | 3,284 | (223) | (24) | 3,037 | 90 | 3,127 |
| Major Developments | 2,067 | (26) | 12 | 2,053 | 52 | 2,105 |
| Corporate | 1,180 | (488) | 0 | 692 | 425 | 1,117 |
| Net Cost of Services | 8,376 | (1,841) | 28 | 6,563 | 0 | 6,563 |
| Other Income & Expenditure from the Funding Analysis | (10,853) | 252 | (10,193) | (20,794) | 0 | (20,794) |
| Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit | (2,477) | (1,589) | (10,165) | (14,231) | 0 | (14,231) |

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

| | Income from Services | Income from Services |
|---|-------------------------|-------------------------|
| Services | 2022/23 | 2023/24 |
| | £'000s | £'000s |
| Chief Executive's Directorate | (6,298) | (5,630) |
| Housing & Regeneration | (1,450) | (1,490) |
| Housing Revenue Account (HRA) | (31,243) | (33,987) |
| Communities & Environment | (12,459) | (13,092) |
| Major Developments | (596) | (652) |
| Corporate | 0 | 0 |
| Total Income analysed on a Segmental Basis | (52,046) | (54,851) |

Note 8 – Expenditure and Income Analysed by Nature

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

| | 2022/23 | 2023/24 |
|--|------------------|------------------|
| | £'000s | £'000s |
| Expenditure/ Income | | |
| Expenditure | | |
| Employee Benefit Expenses | 27,732 | 25,355 |
| Other Services Expenses | 73,159 | 70,794 |
| Depreciation, Amortisation and Impairment | (11,289) | 4,569 |
| REFCUS | 4,461 | 3,807 |
| Interest Payments | 5,106 | 3,892 |
| Precepts and Levies | 923 | 1,082 |
| Payments to Housing Capital Receipts Pool | 0 | 0 |
| Total Expenditure | 101,092 | 109,499 |
| Income | | |
| Fees, Charges and other Service Income | (68,663) | (71,110) |
| Interest and Investment Income | (1,171) | (1,811) |
| Income from Council Tax and Non- Domestic Rates | (13,187) | (10,119) |
| Government Grants and Contributions | (42,783) | (41,961) |
| Gain/Loss on Disposal | (604) | (368) |
| Total Income | (126,409) | (125,369) |
| Surplus or Deficit on the Provision of Services | (25,317) | (15,870) |

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

| 2023/24 | Usable Reserves | | | | | |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement In Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | (938) | (651) | 0 | 0 | 0 | 1,589 |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | 0 | 0 | 0 | 0 | 0 | 0 |
| Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account | 558 | 0 | 0 | 0 | 0 | (558) |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 37 | (9) | 0 | 0 | 0 | (28) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 8,415 | 3,204 | 0 | 0 | 0 | (11,619) |
| Total Adjustments to Revenue Resources | 8,072 | 2,544 | 0 | 0 | 0 | (10,616) |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,650) | (2,005) | 3,655 | 0 | 0 | 0 |
| Transfer of capital grants and contributions to capital grants unapplied | 0 | 0 | 0 | 0 | 0 | 0 |
| Admin costs of RTB | 0 | 43 | (43) | 0 | 0 | 0 |
| Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve) | 0 | 0 | 0 | 0 | 0 | 0 |
| Posting of HRA resources to the Major Repairs Reserve | 0 | (10,751) | 0 | 10,751 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (867) | 0 | 0 | 0 | 0 | 867 |

| 2023/24 | Usable Reserves | | | | | |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement In Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (3,394) | 0 | 0 | 0 | 0 | 3,394 |
| Total Adjustments between Revenue and Capital Resources | (5,911) | (12,713) | 3,612 | 10,751 | 0 | 4,261 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (2,557) | 0 | 0 | 2,557 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | (9,645) | 0 | 9,645 |
| Application of Capital grants to finance capital expenditure | (5,406) | (817) | 0 | 0 | (1,432) | 6,223 |
| Total Adjustments to Capital Resources | (5,406) | (817) | (2,557) | (9,645) | (1,432) | 18,425 |
| Total Adjustments | (3,245) | (10,986) | 1,055 | 1,106 | (1,432) | 12,070 |

| 2022/23 | Usable Reserves | | | | | |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement In Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 1,389 | 799 | 0 | 0 | 0 | (2,188) |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (2) | 0 | 0 | 0 | 0 | 2 |
| Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account | (4,661) | 0 | 0 | 0 | 0 | 4,661 |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | (58) | (29) | 0 | 0 | 0 | 87 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 6,123 | (9,391) | 0 | 0 | 0 | 3,268 |
| Total Adjustments to Revenue Resources | 2,791 | (8,621) | 0 | 0 | 0 | 5,830 |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 0 | (3,239) | 3,239 | 0 | 0 | 0 |
| Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve) | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer of capital grants and contributions to capital grants unapplied | (9,446) | (495) | 0 | 0 | 9,941 | 0 |
| Admin Costs of RTB | 0 | 66 | (66) | 0 | 0 | 0 |
| Posting of HRA resources to the Major Repairs Reserve | 0 | (9,321) | 0 | 9,321 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (824) | 0 | 0 | 0 | 0 | 824 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (62) | (688) | 0 | 0 | 0 | 750 |

| | | | | | | |
|--|-----------------|-----------------|----------------|----------------|-----------------|---------------|
| Total Adjustments between Revenue and Capital Resources | (10,332) | (13,677) | 3,173 | 9,321 | 9,941 | 1,574 |
| <i>Adjustments to Capital Resources</i> | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (1,934) | 0 | 0 | 1,934 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | (6,778) | 0 | 6,778 |
| Application of Capital grants to finance capital expenditure | 0 | 0 | 0 | 0 | (10,330) | 10,330 |
| Total Adjustments to Capital Resources | 0 | 0 | (1,934) | (6,778) | (10,330) | 19,042 |
| Total Adjustments | (7,542) | (22,298) | 1,239 | 2,544 | (390) | 26,446 |

Note 10 – Movements in Earmarked Reserves

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

| | Balance @ 31.03.22 £'000 | Movements | Appropriations | | Balance @ 31.03.23 £'000 | Movements | Appropriations | | Balance @31.03.24 £'000 |
|----------------------------------|-----------------------------------|-----------|-----------------------|------------------------|--------------------------------|-----------|-----------------------|------------------------|-------------------------------|
| | | | Transfers In £'000 | Transfers Out £'000 | | | Transfers In £'000 | Transfers Out £'000 | |
| General Fund | | | | | | | | | |
| Business Rates Volatility | 5,566 | 0 | 0 | (5,132) | 434 | (200) | 1,163 | (481) | 916 |
| Council Tax Hardship Fund | 213 | 0 | 0 | (213) | 0 | 0 | 0 | 0 | 0 |
| Budget Carry Forwards | 667 | 0 | 219 | (369) | 518 | (35) | 226 | (140) | 569 |
| Grants & Contributions | 1,932 | 0 | 125 | (613) | 1,446 | 0 | 247 | (188) | 1,505 |
| Invest to Save (GF) | 100 | 0 | 1 | (63) | 37 | 200 | 200 | (88) | 349 |
| Strategic Growth (GF) | 5 | 0 | 0 | (5) | 0 | 0 | 0 | 0 | 0 |
| Unused DRF | 204 | 0 | 0 | (40) | 164 | 35 | 141 | (179) | 161 |
| Funding for Strategic Priorities | 89 | 0 | 0 | (89) | 0 | 0 | 0 | 0 | 0 |
| HiMO CPN Appeals | 47 | 0 | 141 | (19) | 169 | 0 | 0 | (58) | 111 |
| Income Volatility Reserve | 320 | 0 | 0 | 0 | 320 | 0 | 200 | 0 | 520 |
| Inflation Volatility Reserve | 150 | 0 | 316 | 0 | 466 | 0 | 0 | 0 | 466 |
| Insurance Reserve | 1,493 | 0 | 132 | (155) | 1,470 | 0 | 100 | (524) | 1,046 |
| IT Reserve | 219 | 0 | 65 | 0 | 284 | 0 | 109 | 0 | 393 |
| Revenues & Benefits | 25 | 0 | 0 | 0 | 25 | 0 | 29 | 0 | 54 |
| Tree Risk Assessment | 84 | 0 | 50 | (31) | 102 | 0 | 31 | (47) | 86 |
| Vision2025 | 701 | 0 | 45 | (212) | 533 | 0 | 150 | (298) | 385 |
| Lincoln Lottery Reserve | 9 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 9 |
| Mayoral Car | 27 | 0 | 0 | (20) | 7 | 0 | 0 | 0 | 7 |
| Active Nation Bond Reserve | 380 | 0 | 0 | (200) | 180 | 0 | 0 | 0 | 180 |
| AGP Sinking Fund | 52 | 0 | 0 | 0 | 52 | 0 | 50 | 0 | 102 |
| Private Sector Stock | 39 | 0 | 12 | 0 | 51 | 0 | 48 | (48) | 51 |
| Corporate Training | 60 | 0 | 0 | 0 | 60 | 0 | 21 | (10) | 71 |
| Corporate Maintenance | 0 | 0 | 100 | 0 | 100 | 0 | 0 | 0 | 100 |
| Professional Trainee Scheme | 0 | 0 | 90 | 0 | 90 | 0 | 0 | 0 | 90 |
| Section 106 Interest | 32 | 0 | 0 | 0 | 32 | 0 | 0 | 0 | 32 |
| Christmas Decorations | 14 | 0 | 0 | 0 | 14 | 0 | 0 | 0 | 14 |

| | Balance @ 31.03.22 £'000 | Movements | Appropriations | | Balance @ 31.03.23 £'000 | Movements | Appropriations | | Balance @31.03.24 £'000 |
|--------------------------------|-----------------------------------|-----------|-----------------------|------------------------|--------------------------------|-----------|--------------------------|---------------------------|-------------------------------|
| | | | Transfers In £'000 | Transfers Out £'000 | | | Transfers In £'000 | Transfers Out £'000 | |
| Electric Van Replacement | 24 | 0 | 4 | (2) | 27 | 0 | 4 | 0 | 31 |
| Air Quality Initiatives | 16 | 0 | 6 | 0 | 22 | 0 | 0 | 0 | 22 |
| Commons Parking | 1 | 0 | 12 | 0 | 13 | 0 | 15 | 0 | 28 |
| Tank Memorial | 10 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 10 |
| City Centre Masterplan | 0 | 0 | 0 | 0 | 0 | 0 | 75 | 0 | 75 |
| City Hall Sinking Fund | 60 | 0 | 0 | 0 | 60 | 0 | 0 | 0 | 60 |
| City Hall Improvement | 0 | 0 | 50 | 0 | 50 | 0 | 0 | 0 | 50 |
| Birchwood Leisure Centre | 66 | 0 | 20 | 0 | 86 | 0 | 20 | 0 | 106 |
| Staff Wellbeing | 0 | 0 | 28 | 0 | 28 | 0 | 0 | 0 | 28 |
| Covid Recovery Reserve | 1,047 | 0 | 0 | 0 | 1,048 | 0 | 0 | 0 | 1,048 |
| Covid Response | 354 | 0 | 0 | 0 | 354 | 0 | 0 | 0 | 354 |
| CX Capacity Reserve | 0 | 0 | 100 | 0 | 100 | 0 | 0 | (44) | 56 |
| MSCP & Bus Station | 104 | 0 | 45 | 0 | 149 | 0 | 50 | 0 | 199 |
| Western Growth Corridor Plan | 49 | 0 | 0 | (49) | 0 | 0 | | | |
| Total General Fund | 14,159 | 0 | 1,561 | (7,212) | 8,510 | 0 | 2,875 | (2,105) | 9,280 |
| Earmarked Reserves | | | | | | | | | |
| HRA | | | | | | | | | |
| De Wint Court | 73 | 0 | 0 | 0 | 73 | 0 | 0 | 0 | 73 |
| De Wint Court Sinking Fund | 0 | 0 | 10 | 0 | 10 | 0 | 103 | 0 | 113 |
| Capital Fees Equalisation | 110 | 0 | 0 | 0 | 110 | 0 | 0 | 0 | 110 |
| NSAP/RSAP Sinking Fund | 0 | 0 | 9 | 0 | 9 | 0 | 9 | 0 | 18 |
| HRA Strategic Priority Reserve | 582 | 0 | 240 | (58) | 764 | 0 | 0 | 0 | 764 |
| Disrepair Management | 300 | 0 | 0 | 0 | 300 | 0 | 0 | (13) | 287 |
| HRA Business Plan | 77 | 0 | 100 | 0 | 177 | 0 | 800 | (134) | 842 |
| Tenant Satisfaction Survey | 0 | 0 | 22 | 0 | 22 | 0 | 9 | 0 | 31 |
| HRS Social Value Reserve | 0 | 0 | 0 | 0 | 0 | 61 | 50 | 0 | 111 |
| HRA IT Reserve | 0 | 0 | 135 | 0 | 135 | 0 | 35 | 0 | 170 |
| Strategic Growth Reserve | 5 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 5 |
| Invest to Save (HRA) | 253 | 0 | 240 | (77) | 416 | 0 | 0 | (41) | 375 |
| Insurance Reserve | 1,938 | 0 | 284 | (169) | 2,053 | 0 | 400 | (302) | 2,151 |
| HRA Repairs Account | 1,351 | 0 | 0 | 0 | 1,351 | 0 | 0 | 0 | 1,351 |
| Housing Repairs Service | 126 | 0 | 11 | 0 | 137 | (61) | 0 | 0 | 76 |

| | Balance @ 31.03.22 £'000 | Movements | Appropriations | | Balance @ 31.03.23 £'000 | Movements | Appropriations | | Balance @31.03.24 £'000 |
|------------------------------|-----------------------------------|-----------|-----------------------|------------------------|--------------------------------|-----------|--------------------------|---------------------------|-------------------------------|
| | | | Transfers In £'000 | Transfers Out £'000 | | | Transfers In £'000 | Transfers Out £'000 | |
| Total HRA Earmarked Reserves | 4,815 | 0 | 1,051 | (304) | 5,562 | 0 | 1,586 | (490) | 6,658 |
| Total Earmarked Reserves | 18,974 | 0 | 2,612 | (7,516) | 14,072 | 0 | 4,461 | (2,595) | 15,938 |

Note 11 – Other Operating Expenditure

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| 923 | Levies | 940 |
| 0 | Payments to the Government Housing Capital Receipts Pool | 0 |
| (604) | (Gains)/losses on the disposal of non-current assets | (368) |
| 318 | Total | 572 |

Note 12 – Financing and Investment Income and Expenditure

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| 3,840 | Interest payable and similar charges | 3,638 |
| 1,266 | Net interest on the net defined liability | 253 |
| (3,112) | Interest receivable and similar income | (4,089) |
| 1,994 | Total | (198) |

Note 13 – Taxation and Non-Specific Grant Income

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| (7,261) | Council Tax income | (7,501) |
| (5,927) | Retained Business Rates income and expenditure | (6,278) |
| (899) | Non service related government grants | (743) |
| (24) | RSG | (175) |
| (9,941) | Capital grants and contributions | (6,223) |
| (24,051) | Total | (20,920) |

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

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

| Movements in 2023/24 | | | | | | | | | | |
|--|------------------------------|---------------------------------|---|-----------------------------|---------------------------|--|--|------------------------------|----------------------------------|-----------------|
| | Council Dwellings | Land & Buildings | Vehicles Plant & Equip | Community Assets | Surplus Assets | Assets Under Construction | Property Plant & Equip Subtotal | Intangible Assets | Investment Properties | TOTAL |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | | |
| At 1 April 2023 | 322,627 | 80,789 | 11,479 | 7,500 | 21,149 | 10,553 | 454,098 | 2,074 | 36,578 | 492,750 |
| Additions | 10,490 | 114 | 238 | 187 | 0 | 11,529 | 22,558 | 0 | 0 | 22,558 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 109 | 1664 | 0 | 0 | (4,893) | 0 | (3,120) | 0 | 0 | (3,120) |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,424) | (4,254) | 0 | 0 | 63 | 0 | (5,615) | 0 | (1,179) | (6,794) |
| De-recognition and disposals | (1,684) | 0 | (67) | 0 | 0 | 0 | (1,751) | 0 | 0 | (1,751) |
| Reclassifications | 1,712 | 5,704 | | 75 | (4,576) | (6,233) | (3,318) | | 2,940 | (378) |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2024 | 331,830 | 84,017 | 11,650 | 7,762 | 11,743 | 15,849 | 462,852 | 2,074 | 38,338 | 503,643 |
| Depreciation | | | | | | | | | | |
| At 1 April 2023 | (20) | (3,276) | (6,542) | (119) | 0 | 0 | (9,956) | (1,986) | 0 | (11,943) |
| Depreciation/amortisation for year | (7,977) | (1,703) | (757) | 0 | 0 | 0 | (10,437) | (39) | 0 | (10,476) |
| Depreciation written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | |
|--|----------------|---------------|----------------|--------------|---------------|---------------|----------------|----------------|---------------|----------------|
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 7,997 | 4,975 | 0 | 0 | 0 | 0 | 12,972 | 0 | 0 | 12,972 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of services | 0 | (275) | 0 | 0 | 0 | 0 | (275) | 0 | 0 | (275) |
| De-recognition – disposals | 0 | 0 | 7 | 0 | 0 | 0 | 7 | 0 | 0 | 7 |
| De-recognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2024 | 0 | (279) | (7,292) | (119) | 0 | 0 | (7,689) | (2,025) | 0 | (9,715) |
| | | | | | | | | | | |
| Net book value of assets at 31.03.24 | 331,830 | 83,738 | 4,358 | 7,643 | 11,743 | 15,849 | 455,163 | 49 | 38,338 | 493,550 |
| Net book value of assets at 31.03.23 | 322,607 | 77,513 | 4,937 | 7,381 | 21,149 | 10,553 | 444,142 | 88 | 36,578 | 480,807 |

| Movements in 2022/23 | | | | | | | | | | |
|---|--------------------------|-----------------------------|-----------------------------------|-------------------------|-----------------------|----------------------------------|--|--------------------------|------------------------------|----------------|
| | Council Dwellings | Land & Buildings | Vehicles Plant & Equip | Community Assets | Surplus Assets | Assets Under Construction | Property Plant & Equip Subtotal | Intangible Assets | Investment Properties | TOTAL |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | | |
| At 1 April 2022 | 299,437 | 79,721 | 11,157 | 6,692 | 21,490 | 5,705 | 424,202 | 2,074 | 36,016 | 462,292 |
| Additions | 7,762 | 861 | 322 | 808 | 0 | 9,645 | 19,399 | 0 | 0 | 19,399 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 16 | 1,166 | 0 | 0 | (252) | 0 | 930 | 0 | 0 | 930 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | 11,932 | (44) | 0 | 0 | 313 | 0 | 12,201 | 0 | 562 | 12,763 |
| De-recognition and disposals | (2,611) | (23) | 0 | 0 | 0 | 0 | (2,634) | 0 | 0 | (2,634) |
| Other movements in cost or valuation | 6,090 | (891) | 0 | 0 | (402) | (4,797) | 0 | 0 | 0 | 0 |
| At 31 March 2023 | 322,627 | 80,789 | 11,479 | 7,500 | 21,149 | 10,553 | 454,098 | 2,074 | 36,578 | 492,750 |
| Depreciation | | | | | | | | | | |
| At 1 April 2022 | 0 | (1,824) | (5,780) | (119) | 0 | 0 | (7,723) | (1,868) | 0 | (9,591) |
| Depreciation/amortisation for year | (7,543) | (1,638) | (762) | 0 | 0 | 0 | (9,943) | (119) | 0 | (10,062) |
| Depreciation written out to the Revaluation Reserve | 0 | 50 | 0 | 0 | 0 | 0 | 50 | 0 | 0 | 50 |
| Movements in 2021/22 | | | | | | | | | | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 7,458 | 137 | 0 | 0 | 0 | 0 | 7,594 | 0 | 0 | 7,594 |

| | | | | | | | | | | |
|---|----------------|----------------|----------------|--------------|---------------|---------------|----------------|----------------|---------------|-----------------|
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| De-recognition – disposals | 65 | 0 | 0 | 0 | 0 | 0 | 65 | 0 | 0 | 65 |
| De-recognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2023 | (20) | (3,276) | (6,542) | (119) | 0 | 0 | (9,956) | (1,986) | 0 | (11,943) |
| | | | | | | | | | | |
| Net book value of assets at 31.03.23 | 322,607 | 77,513 | 4,937 | 7,381 | 21,149 | 10,553 | 444,141 | 88 | 36,578 | 480,807 |
| Net book value of assets at 31.03.22 | 299,437 | 77,897 | 5,377 | 6,573 | 21,490 | 5,705 | 416,478 | 207 | 36,016 | 452,701 |
| | | | | | | | | | | |
| Owned | 322,607 | 77,513 | 4,937 | 7,381 | 21,149 | 10,553 | 444,141 | 88 | 36,578 | 480,807 |

Valuation

The Council operates a rolling valuation programme that ensures that all Property, Plant and Equipment have a full valuation at least every five years. Those assets which do not receive a full valuation in year are subject to a desktop review / lighter touch revaluation.

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

Principal Property Surveyor

Mr P Clifton

MRICS

Depreciation

Tangible Assets

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

| <u>Category Of Asset</u> | <u>Useful Economic Life</u> |
|--|--|
| Council Dwellings | 60 years for new properties 30 years for properties over 30 years old |
| Other Land & Buildings | |
| - Council Buildings | 50 years |
| - Car Parks | 60 years |
| - Cemeteries | 50 years |
| - Crematorium | 21 years |
| - Community Centres | 50 years |
| - Offices | 50 years |
| - Depots & Workshops | 50 years |
| - Public Conveniences | 50 years |
| - Recreation Grounds | 50 years |
| - Sports Centres | 50 years |
| Vehicles, Plant & Equipment | |
| - Computers | 5 years |
| - Equipment | 10 years |
| - Fixtures and Fittings | 5 years |
| - Plant | 7/10 years |
| - Vehicles | 5/7 years |

Intangible Assets

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

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

Capital Commitments

At 31 March 2024 the authority had capital commitments of £3.279 in relation to the construction or enhancement of Property, Plant and Equipment. Similar commitments at 31 March 2023 were £2.254m.

Note 15 – Heritage Assets

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

| | Heritage Vehicles £'000 | Musical Instruments £'000 | Civic Insignia £'000 | Other £'000 | Total Assets £'000 |
|------------------------------|-------------------------------|---------------------------------|----------------------------|----------------|--------------------------|
| Cost or Valuation | | | | | |
| At 1 April 2022 | 0 | 0 | 2,359 | 409 | 2,768 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| De-recognitions | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2023 | 0 | 0 | 2,359 | 409 | 2,768 |
| Cost or Valuation | | | | | |
| At 1 April 2023 | 0 | 0 | 2,359 | 409 | 2,768 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| De-recognitions | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2024 | 0 | 0 | 2,359 | 409 | 2,768 |

Civic Insignia

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office and mace. All items are on display at the Guildhall, Lincoln. It also includes four ceremonial and fighting swords of considerable historical significance, which together are valued at £2.359m. The Council's collection of civic insignia is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually and revalued during every ten-year period by an appropriately qualified external valuer. These were revalued at 31st March 2017 by external valuers Bamfords.

Other Heritage Assets

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

Heritage Assets not recognised in the Balance Sheet

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

Scheduled Ancient Monuments

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

Memorials

| | |
|-------------|--------------|
| High Street | War memorial |
|-------------|--------------|

Memorials

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

Public Art

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

Note 16 – Investment Properties and Surplus Assets

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

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

| 2022/23 | | 2023/24 |
|---------------------|--|---------------------|
| £'000 | | £'000 |
| 2,191 | Rental income from investment property | 2,336 |
| (7) | Direct operating expenses arising from investment property | (88) |
| 562 | Fair value gains/(losses) on investment properties | (1,179) |
| 0 | Gains/(losses) on disposal of investment properties | 0 |
| <u>2,746</u> | Net gain/(loss) | <u>1,069</u> |

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

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

| 2022/23 | | 2023/24 |
|----------------------|--|----------------------|
| £'000 | | £'000 |
| 36,016 | Balance at 1 April | 36,578 |
| 0 | Additions | 0 |
| 0 | Disposals | 0 |
| 562 | Net gain/loss from Fair Value Adjustment | (1,179) |
| 0 | Transfers (to)/from Other Land and Buildings | 2,939 |
| <u>36,578</u> | Balance at 31 March | <u>38,338</u> |

Fair Value Hierarchy

The Council's Investment Properties have been assessed as being Level 2 on the Fair Value Hierarchy (See Note 1 Accounting Policies, point 26 for an explanation of fair value levels).

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

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

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

Highest and Best Use of Investment Properties

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

Valuers

The Investment Properties that were valued at 31 March 2024 were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Surplus Assets

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

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

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

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

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

Note 17 – Intangible Assets

Movements in the value of Intangible Assets are shown in note 14. No internally generated intangible assets are recognised in the Balance Sheet. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £39k (£119k in 22/23) was charged to service headings in the Cost of Services.

Note 18 – Financial Instruments

The Council has the following investments at 31 March 2024:

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

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

| | 31/03/2023 | 31/03/2024 |
|-----------------------|------------|------------|
| | £000 | £000 |
| Non-listed securities | 504 | 504 |
| Total | 504 | 504 |

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

31 March 2024

| | Unquoted Shares | Other | Total |
|---|--------------------|----------|------------|
| | £000 | £000 | £000 |
| Opening Balance | 320 | 0 | 320 |
| Transfers into level 3 | 0 | 0 | 0 |
| Transfers out of Level 3 | 0 | 0 | 0 |
| Total gains or losses for the period | (40) | 0 | (40) |
| - Included in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 |
| - Included in Other Comprehensive Income and Expenditure | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Closing Balance | 280 | 0 | 280 |

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

| Summary of Financial Instruments | | 31/03/23 | 31/03/24 |
|--|---------|------------------|------------------|
| | | £000s | £000s |
| Financial Liabilities at amortised cost | | | |
| Long Term Borrowing | Level 1 | (109,243) | (105,068) |
| Short Term Borrowing | Level 1 | (14,394) | (4,216) |
| Long Term Creditors | Level 1 | 0 | 0 |
| Short Term Creditors | Level 1 | (11,481) | (11,670) |
| Cash and Cash Equivalents | Level 1 | 0 | 0 |
| Total Financial Liabilities | | (135,118) | (120,954) |
| Financial Assets at amortised cost | | | |
| Short Term Investments | Level 1 | 36,932 | 17,831 |
| Long Term Debtors | Level 1 | 611 | 498 |
| Short Term Debtors | Level 1 | 8,313 | 8,270 |
| Cash and Cash Equivalents | Level 1 | 509 | 129 |
| Total Financial Assets | | 46,365 | 26,729 |
| Financial Assets at FVOCI* | | | |
| Long Term Investments | Level 2 | 824 | 784 |
| Total Assets at FVOCI | | 824 | 784 |

*Fair Value through Other Comprehensive Income

** See table below for detail

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and

further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in short term debtors/creditors where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Financial Instrument Gains/Losses

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

| 2023/24 | Financial Liabilities | Financial Assets | | Total |
|---|-----------------------|------------------|------------|--------------|
| | | Amortised Cost | FVOCI | |
| | £000 | £000 | £000 | £000 |
| Interest Expense | 3,639 | | | 3,639 |
| Interest Income credited to services | | (1,781) | | (1,781) |
| Dividend Income | | | (46) | (46) |
| Surplus or deficit arising on revaluation of financial assets | | | 40 | 40 |
| Net (gain)/loss for the year | 3,639 | (1,781) | (6) | 1,852 |

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

Fair Value of Financial Assets

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

| Financial assets measured at fair value | | | | |
|--|---------------------------------------|--|---------------|---------------|
| Recurring fair value measurements | Input level in fair value hierarchy** | Valuation technique used to measure fair value | As at 31/3/24 | As at 31/3/23 |
| | | | £'000 | £'000 |
| Fair Value OCI | | | | |
| Equity shareholding in Dunham Bridge Company | Level 2 | Average price obtained during the last three share sales | 504 | 504 |
| Equity shareholding in Investors in Lincoln | Level 2 | Share of Net Assets | 280 | 320 |
| Total | | | 784 | 824 |

* The Authority's shareholding in Investors in Lincoln – the shares in this company are not traded in an active market and fair value of £279,664 has been based on the authorities share of net assets of the company.

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

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

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

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

The fair values calculated are as follows:

Financial Liabilities

| 31/03/2023 | | | | 31/03/2024 | |
|--------------------------|---------------------|-----------------------|------------------------|--------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | Financial Liabilities | Fair Value hierarchy** | Carrying Amount £'000 | Fair Value £'000 |
| 95,394 | 75,156 | PWLB Debt | Level 2 | 97,164 | 71,894 |
| 16,175 | 16,300 | Money Market Debt | Level 2 | 10,115 | 8,792 |
| 34 | 34 | Bonds/Charity | Level 2 | 0 | 0 |
| 12,033 | 11,946 | Other | Level 2/3 | 2,005 | 2,010 |
| 123,636 | 103,436 | Total Debt | | 109,284 | 82,696 |

The fair value of most loans is lower than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This is to be expected given that the current rates of interest are at a the highest we have seen for over a decade.

The fair value of Public Works Loan Board (PWLB) loans of £71.894m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

**See Glossary for the Definition of Fair Value Input Levels.

Financial Assets

| 31/03/2023 | | | 31/03/2024 | |
|--------------------------|---------------------|----------------------------------|--------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| 36,932 | 36,932 | Money Market Investments <1 year | 17,831 | 17,831 |
| 0 | 0 | Money Market Investments >1 year | 0 | 0 |
| 611 | 611 | Long Term Debtors | 498 | 498 |
| 37,543 | 37,543 | Total Investments | 18,329 | 18,329 |

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

Note 19 – Debtors

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

| 31/03/23 | | 31/03/24 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 3,769 | Central Government Bodies | 4,169 |
| 5,563 | Other Local Authorities | 7,456 |
| 4 | NHS Bodies | 18 |
| 11,224 | Other Entities and Individuals | 12,058 |
| 20,559 | Total Short-Term Debtors | 23,700 |
| (4,014) | Less Impairment Loss Allowance | (3,491) |
| 16,545 | Net Short-Term Debtors as per Balance Sheet | 20,209 |

Debtors for Local Taxation

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

| 31/03/23 | | 31/03/24 |
|--------------|------------------------|---------------|
| £'000 | | £'000 |
| 158 | Less than three months | 674 |
| 296 | Three to six months | 210 |
| 903 | Six months to one year | 4,393 |
| 7,321 | More than one year | 8,175 |
| 8,678 | Total | 13,452 |

Note 20 – Cash and Cash Equivalents

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

| 31/03/23 | | 31/03/24 |
|------------|--------------------------|------------|
| £'000 | | £'000 |
| 1 | Cash held by the Council | 0 |
| 508 | Bank Current accounts | 130 |
| 509 | | 130 |

The balance at 31/03/2024 shows the financial position which includes creditor payments awaiting clearance through the bank account.

Note 21 – Assets Held for Sale

The Authority had a piece of development land classified as an asset held for sale at the end of the year. The sale of the asset has been approved but was not completed as at 31st March 2024.

| Current 2022/23 £000 | | Current 2023/24 £000 |
|-------------------------------------|------------------------------|-------------------------------------|
| 1,500 | Balance at start of the year | 1,500 |
| 0 | Additions | 0 |
| | Newly classified: | |
| 0 | - Property Plant & Equipment | 380 |
| 0 | Revaluation gain/(loss) | 0 |
| 0 | Transfers from AHFS | 0 |
| 0 | Disposals | (1,500) |
| 1,500 | Closing Balance | 380 |

Note 22 – Creditors

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

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

Note 23 – Provisions

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

| | Business Rates RV Reduction - Think Tank £'000 | Compulsory Purchase Order £'000 | Business Rates Appeals £'000 |
|---------------------------------------|---|--|---|
| Balance at 1 April 2023 | (37) | (96) | (1,852) |
| Additional Provisions made in 2023/24 | 0 | 0 | (580) |
| Amounts used in 2023/24 | 0 | 0 | 330 |
| Unused Amounts Reversed in 2023/24 | 0 | 0 | 1,510 |
| Unwinding of Discounting in 2023/24 | 0 | 0 | 0 |
| Interest Applied in 2023/24 | 0 | (4) | 0 |
| Balance at 31 March 2024 | (37) | (100) | (593) |

The provision for business rate appeals represents the Council's share (40% of £1.483m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2024. The total provision is accounted

for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

Note 24 – Usable Reserves

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

Note 25 – Unusable Reserves

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

| Balance 31/03/23 | Reserve Summary | Balance 31/03/24 |
|-----------------------------|--|-----------------------------|
| £'000 | | £'000 |
| (32,227) | Revaluation Reserve | 28,493 |
| (7,796) | Pensions Reserve | (12,988) |
| 306,748 | Capital Adjustment Account | 318,427 |
| 57 | Deferred Capital Receipts | 57 |
| (46) | Financial Instruments Adjustment Account | (47) |
| 809 | Financial Instruments Revaluation Reserve | 769 |
| (123) | Collection Fund Adjustment Account – Council Tax | (41) |
| 717 | Collection Fund Adjustment Account – NNDR | 78 |
| (578) | Accumulated Absences Account | (606) |
| 332,015 | | 334,142 |

a) Revaluation Reserve

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

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

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| 31,543 | Balance 1 April | 32,227 |
| 3,405 | Upward Revaluation of assets | 23,555 |
| (2,425) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services | (19,317) |
| 980 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 4,238 |
| (139) | Difference between fair value depreciation and historical cost depreciation | (612) |
| (157) | Amounts written out to the Capital Adjustment Account | (7,360) |
| 32,227 | Balance 31 March | 28,493 |

b) Capital Adjustment Account

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

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

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

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

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

| 2022/23 £'000 | | 2023/24 £'000 |
|---|--|--------------------------------|
| 19,795 | Revaluation (gains)/losses and impairments on Property, Plant and Equipment | 7,085 |
| 562 | Fair value movements on Investment Properties | (1,179) |
| (4,461) | Revenue expenditure funded from capital under statute | (3,807) |
| (2,411) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,244) |
| 3,423 | | (11,621) |
| 139 | Adjusting amounts written out of the Revaluation Reserve | 613 |
| 3,562 | Net written out amount of the cost of non-current assets consumed in the year | (11,009) |
| Capital Financing applied in year: | | |
| 1,934 | Use of Capital Receipts to finance new capital expenditure | 2,557 |
| 0 | Use of Capital Receipts to reduce capital financing requirement | 0 |
| 6,778 | Use of the Major Repairs Reserve to finance new capital expenditure | 9,645 |
| 750 | Capital expenditure charged against the General Fund and HRA balances | 3,394 |
| 10,330 | Application of Capital Grants to finance new capital expenditure | 6,223 |
| 824 | Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP) | 867 |
| 20,616 | | 22,686 |
| 306,749 | Balance 31 March | 318,427 |

c) Financial Instruments Revaluation Reserve

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

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

d) Collection Fund Adjustment Account – Council Tax

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| (29) | Balance 1 April | (123) |
| (94) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 82 |
| (123) | Balance 31 March | (41) |

e) Collection Fund Adjustment Account – NNDR

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| (4,037) | Balance 1 April | 717 |
| 4,754 | Amount by which council non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements | (639) |
| 717 | Balance 31 March | 78 |

f) Accumulated Absences Account

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| (669) | Balance 1 April | (578) |
| 669 | Settlement or cancellation of accrual made at the end of the preceding year | 578 |
| (578) | Amounts accrued at the end of the current year | (610) |
| | Amount by which officer remuneration charged in the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (28) |
| (578) | Balance 31 March | (606) |

Note 26 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--------------------|------------------|
| 2,810 | Interest received | 1,800 |
| (4,129) | Interest paid | (2,193) |
| 40 | Dividends Received | 30 |
| (1,279) | | (363) |

Note 27 – Cash Flow Statement – Adjustment to surplus or deficit on provision of services for non-cash movements

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| 10,062 | Depreciation | 10,437 |
| (19,916) | Impairment and downward valuations | (5,906) |
| 119 | Amortisation | 39 |
| (22,167) | Increase/(decrease) in creditors | (1,022) |
| 7,265 | (Increase)/decrease in debtors | (2,429) |
| (46) | (Increase)/decrease in inventories | 2 |
| 2,188 | Movement in pension liability | (1,589) |
| 2,569 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 3,244 |
| (774) | Other non-cash items charged to the net surplus or deficit on the provision of services | (1,255) |
| (20,700) | | 1,521 |

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

| 2022/23 £'000 | | 2023/24 £'000 |
|--------------------------------|--|--------------------------------|
| (3,173) | Proceeds from sale of PPE, investment property and intangible assets | (3,612) |
| (9,941) | Any other items for which the cash effects are investing or financing cash flows | (6,223) |
| <u>(13,114)</u> | | <u>(9,835)</u> |

Note 29 – Cash Flow Statement - Investing Activities

| 2022/23 £'000 | | 2023/24 £'000 |
|--------------------------------|--|--------------------------------|
| (19,458) | Purchase of property, plant and equipment, investment property and intangible assets | (22,362) |
| (249,659) | Purchase of short-term and long-term investments | (185,147) |
| 0 | Other payments for investing activities | 0 |
| 3,173 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 2,762 |
| 263,028 | Proceeds from short-term and long-term investments | 204,248 |
| 10,054 | Other receipts from investing activities | 11,512 |
| <u>7,138</u> | Net cash flows from investing activities | <u>11,013</u> |

Note 30 – Cash Flow Statement - Financing Activities

| 2022/23 £'000 | | 2023/24 £'000 |
|--------------------------------|---|--------------------------------|
| 0 | Cash payments for the reduction of outstanding liabilities relating to finance leases | 0 |
| 6,640 | Cash receipts of short & long-term borrowing | 6,090 |
| 0 | Other receipts from financing activities | 0 |
| (9,895) | Repayments of short- and long-term borrowing | (21,990) |
| 5,226 | Other payments for financing activities | (3,048) |
| <u>1,971</u> | Net cash flows from financing activities | <u>(18,948)</u> |

Note 31 – Members' Allowances

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

The payments made to the City of Lincoln Council members during 2023/24 totalled £260,498 (£252,312 in 2022/23).

Payments are defined as:

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

Note 32 – Officers' Remuneration

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

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

Officers' Emoluments – Senior Employees

2023/24:

| Post Title | Salary | Bonuses | Expense Allowances | Compensation for Loss of Office | Total Remuneration excluding Pension Contributions 2023/24 | Pension Contributions | Total Remuneration including Pension Contributions 2023/24 |
|---------------------------------------|----------------|----------|--------------------|---------------------------------|--|-----------------------|--|
| | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive ¹ | 135,380 | | | | 135,380 | 31,679 | 167,059 |
| Director of Housing & Investment | 104,435 | | 102 | | 104,537 | 24,438 | 128,975 |
| Director of Communities & Environment | 104,803 | | | | 104,803 | 24,438 | 129,241 |
| Director for Major Developments | 104,435 | | | | 104,435 | 24,438 | 128,873 |
| | 449,053 | 0 | 102 | 0 | 449,155 | 104,992 | 554,148 |

- 1) The salary costs for the Chief Executive include £3.2k relating to election expenses in 2023/24.

2022/23:

| Post Title | Salary | Bonuses | Expense Allowances | Compensation for Loss of Office | Total Remuneration excluding Pension Contributions 2022/23 | Pension Contributions | Total Remuneration including Pension Contributions 2022/23 |
|---------------------------------------|----------------|----------|--------------------|---------------------------------|--|-----------------------|--|
| | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive ¹ | 130,602 | | | | 130,602 | 22,594 | 153,200 |
| Director of Housing & Investment | 100,904 | | | | 100,904 | 17,456 | 118,400 |
| Director of Communities & Environment | 101,101 | | | | 101,101 | 17,456 | 118,600 |
| Director for Major Developments | 100,904 | | | | 100,904 | 17,456 | 118,400 |
| | 433,512 | 0 | 0 | 0 | 433,512 | 74,963 | 508,600 |

1) The salary costs for the Chief Executive include £3.2k relating to election expenses in 2022/23.

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

| Remuneration Band | Number of Employees | |
|-------------------|---------------------|---------|
| £ | 2023/24 | 2022/23 |
| 50,000 - 54,999 | 16 | 13 |
| 55,000 - 59,999 | 8 | 4 |
| 60,000 - 64,999 | 1 | 3 |
| 65,000 - 69,999 | 3 | 3 |
| 70,000 - 74,999 | 4 | 3 |
| 75,000 - 79,999 | 0 | 1 |
| 80,000 - 84,999 | 2 | 1 |

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

The figure above for 2023/24 includes no employees for whom an exit package was agreed.

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

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band [b + c] | | Total cost of exit packages in each band | |
|---|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 0 | 0 | 8 | 2 | 8 | 2 | 57,313 | 3,961 |
| £20,001 - £40,000 | 0 | 0 | 4 | 0 | 4 | 0 | 111,129 | 0 |

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band [b + c] | | Total cost of exit packages in each band | |
|--|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|----------------|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | | | | | | | £ | £ |
| £40,001 - £60,000 | 0 | 0 | 1 | 0 | 1 | 0 | 54,569 | 0 |
| £60,001 - £80,000 | 0 | 0 | 1 | 1 | 1 | 1 | 65,547 | 68,424 |
| £80,001 - £100,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 87,597 |
| £100,000 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total cost included in bandings | 0 | 0 | 14 | 4 | 14 | 4 | 288,557 | 159,983 |
| Add: Amounts provided for in CIES not included in bandings | | | | | | | 0 | 0 |
| Total cost included in CIES | | | | | | | 288,558 | 159,983 |

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

Note 33 – External Audit Costs

In 2023/24 the following fees relating to External Audit and Inspection were incurred and paid to KPMG, the Council's external auditors:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| | Fees payable for statutory audit services | |
| 57 | Fees Payable with regard to external audit services carried out by the appointed auditor | 140 |
| 57 | | 140 |
| | Fees payable for other audit services | |
| 11 | Fees payable for the certification of grant claims and returns | 30 |
| 69 | Total fee payable to external auditors | 170 |

The audit profession has been subject to high levels of scrutiny in recent years following several widely reported financial failures in the private sector. To address this, and the growing delays in completing local audits, audit fees have undergone a consultation and reform during the financial year. Revised audit fees are set out and published in the PSAA's scale fees communication.

Note 34 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

| Credited to Taxation and Non-Specific Grant Income | | |
|---|---|-----------------|
| 2022/23 | | 2023/24 |
| £'000 | | £'000 |
| (24) | Revenue Support Grant | (175) |
| (421) | New Homes Bonus | (224) |
| (8) | Transparency Code Setup Grant | (8) |
| (174) | Lower Tier Services Grant | 0 |
| (263) | Services Grant | (476) |
| (32) | Business rates levy surplus distribution | (32) |
| 0 | Other | (14) |
| (923) | Total Non-Ring-fenced Grants shown on CIES | (929) |
| (852) | Disabled Facilities Grants | 0 |
| (78) | Section 106 agreement | 0 |
| 0 | Levelling Up Fund | (2,567) |
| (34) | Heritage Lottery Fund | 0 |
| (1,019) | Historic England | (2) |
| 0 | Department of Transport | (144) |
| (931) | Homes England | (1,232) |
| (6,120) | Towns Fund | (1,961) |
| (12) | Nottingham City Council | 0 |
| (896) | Other Capital Grants and Contributions | (317) |
| (9,941) | Total Capital Grants and Contributions shown on CIES | (6,223) |
| (3,192) | S31 Grants included in Non-Domestic Rates Income on CIES | (3,660) |
| (4,056) | Total Non-Ringfenced Grants included in CIES | (10,812) |

| Credited to Services | | |
|-----------------------------|---------------------------------|----------------|
| 2022/23 | | 2023/24 |
| £'000 | | £'000 |
| 0 | Disabled Facilities Grants | (1,128) |
| (11,402) | Rent Allowances | (12,487) |
| (10,452) | Rent Rebates | (10,560) |
| (132) | Discretionary Housing Payments | (132) |
| (340) | Housing Benefit Administration | (330) |
| (446) | New Burdens Grant Determination | (266) |

| | | |
|---------|---|---------|
| (118) | Historic England | (180) |
| (144) | Local Council Tax Support Admin Subsidy | 0 |
| (167) | Home Office | 0 |
| (78) | Towns Fund | (343) |
| (1,213) | Homeless Specific | (1,534) |
| (197) | Council Tax Energy Rebate Grant | 0 |
| (494) | COVID Business Support Grants | 0 |
| (72) | Homes England | (71) |
| (767) | Other Grants | (347) |
| 0 | Towns Deal | (1,310) |
| 0 | Household Support Schemes | (779) |
| 0 | BEIS | (581) |
| 0 | Levelling Up Fund | (86) |
| 0 | UK Shared Prosperity Fund | (683) |
| 0 | Internal Drainage Board | (142) |
| 0 | Council Tax Support Scheme | (190) |

| | | |
|-----------------|--|-----------------|
| (26,023) | Total Grants and Contributions credited to Services | (31,149) |
| (40,079) | Total Grants, Contributions and Donated Assets | (41,961) |

Note 35 – Related Parties

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

Members/Officers - For 2023/24 the Council sent a letter, dated 26th March 2024, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'.

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

| Name of Organisation | Member Representative | Officer Representative |
|-------------------------------|--|------------------------|
| Upper Witham – Drainage Board | Councillor G Hewson Councillor R Longbottom Councillor P Vaughan | Chief Executive |

| Name of Organisation | Member Representative | Officer Representative |
|---|---|--|
| | Councillor C Burke Councillor D Armiger Councillor C Watt Councillor L Bushell Councillor B Bushell Councillor D Nannestad | |
| Witham First – Drainage Board | Councillor G Hewson Councillor P Vaughan | Chief Executive |
| Witham Third – Drainage Board | Councillor G Hewson Councillor P Vaughan Councillor D Nannestad Councillor B Bushell Councillor R Longbottom | Chief Executive |
| Lincoln Dial-a-Ride | Councillor G Hewson | Chief Executive |
| Lincoln Citizens Advice Bureau | Councillor S Burke | Chief Executive |
| Investors in Lincoln | Councillor R Metcalfe Councillor N Tweddle | Chief Executive/ Major Developments |
| Citizens Advice Lincoln & Lindsey | Councillor S Burke | Chief Executive |
| Lincoln Business Improvement Group | Councillor N Tweddle Councillor R Metcalfe | Communities and Environment |
| Central Lincolnshire Joint Strategic Planning Partnership | Councillor R Metcalfe Councillor C Burke Councillor N Tweddle Councillor G Hewson(Sub) | Communities & Environment |
| The Shared Revenues & Benefits Joint Committee | Councillor R Metcalfe Councillor Sue Burke Councillor D Nannestad(sub)) | Chief Executive |

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

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

Details of transactions with government departments are set out in note 35.

Other Bodies - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2022/23 were as follows:

| 2022/23 | | 2023/24 |
|------------|---------------------------------------|--------------|
| £'000 | | £'000 |
| 493 | Upper Witham Drainage Board | 567 |
| 148 | Witham 1 st Drainage Board | 191 |
| 282 | Witham 3 rd Drainage Board | 324 |
| 923 | Total | 1,082 |

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

| 2022/23 | | 2023/24 |
|---------|------------------------|---------|
| £'000 | | £'000 |
| 57 | Lincoln Dial-a-Ride | 50 |
| 0 | Citizens Advice Bureau | 0 |
| 25 | Brayford Trust | 31 |

Collaborative Agreements – The Council holds 6.3% (£12,350) of the ordinary share capital of £196,000 of Investors in Lincoln Ltd (ILL).

The principal activity of the company is the promotion of economic regeneration and the development and expansion of industry, commerce and enterprise of all forms for the benefit of the community in and around the City of Lincoln.

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2023, showing net assets of £4.475m and a loss of £17,725. The accounts of the company may be obtained from The Company Secretary, c/o The Managed Workspace, Greetwell Place, 2 Lime Kiln Way, Lincoln LN2 4US.

The previous funding and management agreement that existed between ILL and the Council ended in January 2022 and a new lease agreement is now in operation until 2036 with break clauses within it. The lease continues the operation of Greetwell Place as a managed office workspace with the Council's staff operating the facility in the same way as previously, so there are no material changes to the businesses or operational approach. The annual rent payable to ILL is 50% of the rents collected, which is paid at £9,000 per month with an end of year reconciliation with payments or repayments made accordingly. The Council use the remaining 50% of the rent to cover operational and maintenance costs retaining any surpluses or funding any deficit accordingly.

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

consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Note 36 – Capital Expenditure and Capital Financing

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

Total Capital expenditure and financing during the year:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| | Capital investment | |
| 19,399 | Property, Plant and Equipment | 22,557 |
| 0 | Investment Properties | 0 |
| 0 | Intangible Assets | 0 |
| 4,461 | Revenue Expenditure Funded from Capital under Statute | 3,807 |
| 23,860 | | 26,364 |
| | | |
| 2022/23 £'000 | | 2023/24 £'000 |
| | Sources of finance | |
| (1,934) | Capital Receipts | (2,557) |
| (10,330) | Government grants and other contributions | (6,223) |
| (62) | Revenue Contributions | (3,394) |
| (7,465) | Major Repairs Reserve | (9,645) |
| (19,791) | Total sources of financing | (21,819) |
| (4,069) | Capital Financing Requirement | 4,545 |
| | | |
| | Capital Financing Requirement - Funded by: | |
| (4,069) | Unsupported Borrowing | (4,545) |
| (4,069) | | (4,545) |
| | | |
| 142,859 | Opening CFR | 146,104 |
| 0 | Opening CFR Rounding adjustment | (1) |
| 4,069 | Unsupported borrowing | 4,545 |
| 0 | Adjustments in respect of leases disposed under finance lease | 0 |
| (824) | Minimum Revenue Provision/Voluntary Revenue Provision | (867) |

| | | |
|----------------|---|----------------|
| 0 | Application of capital receipts to reduce CFR | 0 |
| 146,104 | Closing CFR | 149,781 |

Note 37 – Leases

Council as Lessee

Finance Leases

The Council does not have any finance leases as Lessee.

Operating leases

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

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

| 31/03/2023 | | 31/03/2024 |
|-------------------|---|-------------------|
| £'000 | | £'000 |
| 260 | Not later than one year | 324 |
| 1,460 | Later than one year and not later than five years | 1,152 |
| 101 | Later than five years | 22 |
| 1,820 | | 1,498 |

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

| 2022/23 | | 2023/24 |
|----------------|-------------------------------|----------------|
| £'000 | | £'000 |
| 234 | Vehicles Plant & Equipment | 224 |
| 234 | Minimum lease payments | 224 |

Council as Lessor

Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 2023/24.

Operating Leases

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

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

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

| 2022/23 | | 2023/24 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 2,727 | Not later than one year | 2,825 |
| 9,312 | Later than one year and not later than five years | 9,265 |
| 18,974 | Later than five years | 17,342 |
| 31,013 | | 29,432 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered in to, such as rent reviews. In 2023/24, (£520k) contingent rents were received by the Authority (2022/23 £391k).

Note 38 – Impairment Losses

There was a valuation impairment of £275k charged to the I&E in relation to 20/22 Steep Hill which is in need of extensive repairs to bring the asset back into use.

Note 39 – Capitalisation of Borrowing Costs

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

Note 40 – Termination Benefits

The Council terminated the contracts of a number of employees in 2023/24, incurring liabilities of £0.160m (£0.289m in 2022/23) – see note 32 for the number of exit packages and total cost per band. These costs exclude any ill health retirements or departures as they are not termination benefits in accordance with the requirements of the code.

Note 41 – Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to

| | | |
|-----------------|---|---------------|
| 0 | Actuarial gains and losses arising on changes in demographic assumptions | (2,490) |
| (104,550) | Actuarial gains and losses arising on changes in financial assumptions | (1,472) |
| 2,851 | Other Actuarial gains / losses on assets | 0 |
| 0 | Changes in effect of asset ceiling | 18,825 |
| 19,683 | Other | 512 |
| (75,391) | Total re-measurements recognised in Other Comprehensive Income and Expenditure | 6,781 |
| (67,916) | Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | 10,328 |

2022/23
£'000

2023/24
£'000

Movement in Reserves Statement

| | | |
|---------|--|---------|
| (7,475) | Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (3,547) |
| 5,287 | Actual amount charged against the General Fund Balance for pensions in the year: | 5,136 |

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | | |
|--------------------------------|--|--------------------------------|
| 2022/23 £'000 | | 2023/24 £'000 |
| (174,264) | Present value of the defined obligations | (174,357) |
| 166,468 | Fair value of plan assets | 180,194 |
| 0 | Impact of asset ceiling | (18,825) |
| (7,796) | Net liability arising from defined benefit obligation | (12,988) |

Under IFRIC14 where the Council has an accounting surplus or asset, it should only be recognised to the extent that the Council is able to recover the surplus through either reduced contributions in the future, or through refunds. The present value of such economic benefits is referred to as the "Asset Ceiling". The Council's actuary has calculated the asset ceiling as £11.275 million in 2023/24, which has an impact of £18.825 million on the net defined liability position.

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

| | | |
|--------------------------------|--|---------------------------------|
| 2022/23 £'000 | | 2023/24, £'000 |
| 171,896 | Opening fair value of scheme assets | 166,468 |
| 5,375 | Interest Income | 7,927 |
| (9,476) | The return on plan assets, excluding the amount included in the net interest expense | 8,594 |

| 2022/23 £'000 | | 2023/24, £'000 |
|------------------|--|-------------------|
| 0 | Other actuarial gains / (losses) | 0 |
| 5,287 | Contributions from employer | 5,136 |
| 1,095 | Contributions from employees into the scheme | 1,157 |
| (7,582) | Benefits Paid | (8,950) |
| (127) | Administration Expenses | (138) |
| 0 | Settlement Prices received/(paid) | 0 |
| 166,468 | Closing Fair value of scheme assets | 180,194 |

Reconciliation of Present Value of the scheme liabilities:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| 252,895 | Opening balance at 1 April | 174,264 |
| 5,960 | Current Service Cost | 3,156 |
| 6,641 | Interest Cost | 8,180 |
| 1,095 | Contributions from scheme participants | 1,157 |
| | Re-measurement (gains) and losses: | |
| 0 | Actuarial gains/losses arising from changes in demographic assumptions | (2,490) |
| (104,550) | Actuarial gains/losses arising from changes in financial assumptions | (1,472) |
| 19,683 | Other | 512 |
| 122 | Past Service Cost | 0 |
| 0 | Liabilities assumed/(extinguished) on settlements | 0 |
| (7,394) | Benefits Paid | (8,749) |
| (188) | Unfunded pensions Payments | (201) |
| 174,264 | Closing Balance at 31 March | 174,357 |

Local Government Pension Scheme assets comprised:

| Quoted in Active Markets | Unquoted in Active Markets | Total | | Quoted in Active Markets | Unquoted in Active Markets | Total |
|-----------------------------------|----------------------------------|------------------|---|-----------------------------------|----------------------------------|------------------|
| 2022/23 £'000 | 2022/23 £'000 | 2022/23 £'000 | | 2023/24 £'000 | 2023/24 £'000 | 2023/24 £'000 |
| | | | Fixed Interest Government Securities: | | | |
| 1,665 | 0 | 1,665 | UK | 0 | 0 | 0 |
| 0 | 0 | 0 | Overseas | 0 | 0 | 0 |
| 1,665 | 0 | 1,665 | Sub-total Fixed Interest Government Securities | 0 | 0 | 0 |
| | | | Index Linked Government Securities: | | | |
| 1,665 | 0 | 1,665 | UK | 0 | 0 | 0 |
| 0 | 0 | 0 | Overseas | 0 | 0 | 0 |
| 1,665 | 0 | 1,665 | Sub-total Index Linked Government Securities | 0 | 0 | 0 |

| | | | | | | |
|----------------|---------------|----------------|-------------------------------------|----------------|---------------|----------------|
| | | | Corporate Bonds: | | | |
| 14,982 | 0 | 14,982 | UK | 21,623 | 0 | 21,623 |
| 0 | 0 | 0 | Overseas | 0 | 0 | 0 |
| 14,982 | 0 | 14,982 | Sub-total corporate bonds | 21,623 | 0 | 21,623 |
| | | | Equities: | | | |
| 24,970 | 0 | 24,970 | UK | 14,416 | 0 | 14,416 |
| 68,251 | 0 | 68,251 | Overseas | 75,681 | 0 | 75,681 |
| 93,221 | 0 | 93,221 | Sub-Total equities | 90,097 | 0 | 90,097 |
| | | | Property: | | | |
| 9,988 | 1,665 | 11,653 | All | 9,010 | 3,604 | 12,614 |
| 9,988 | 1,665 | 11,653 | Sub-Total Property | 9,010 | 3,604 | 12,614 |
| | | | Others: | | | |
| 0 | 6,659 | 6,659 | Hedge Fund | 0 | 10,812 | 10,812 |
| 0 | 11,653 | 11,653 | Private Equity | 0 | 12,614 | 12,614 |
| 0 | 6,659 | 6,659 | Infrastructure | 0 | 7,208 | 7,208 |
| 0 | 0 | 0 | Commodities | 0 | 0 | 0 |
| 0 | 0 | 0 | Bonds | 0 | 0 | 0 |
| 8,323 | 0 | 8,323 | Credit – Diversified Income | 18,019 | 0 | 18,019 |
| 0 | 3,329 | 3,329 | Private Debt | 0 | 1,802 | 1,802 |
| 0 | 1,665 | 1,665 | Other Diversified Alternatives | 0 | 0 | 0 |
| 0 | 0 | 0 | Forward Current Contracts | 0 | 0 | 0 |
| 4,994 | 0 | 4,994 | Cash/Temporary Investments | 5,405 | 0 | 5,405 |
| 13,320 | 29,965 | 43,285 | Sub-Total Others | 23,424 | 32,436 | 55,860 |
| | | | Net Current Assets: | | | |
| 0 | 0 | 0 | Debtors | 0 | 0 | 0 |
| 0 | 0 | 0 | Creditors | 0 | 0 | 0 |
| 0 | 0 | 0 | Sub-Total Net Current Assets | 0 | 0 | 0 |
| 134,838 | 31,630 | 166,468 | Total assets | 144,154 | 36,040 | 180,194 |

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

| 2022/23 | | 2023/24 |
|---------|---|---------|
| | Mortality assumptions: | |
| | <u>Longevity (in years) at 65 for current pensioners:</u> | |
| 19.8 | Men | 19.5 |
| 22.9 | Women | 22.7 |
| | <u>Longevity (in years) at 65 for future pensioners:</u> | |
| 21.1 | Men | 20.8 |
| 24.4 | Women | 24.1 |
| 3.90% | Rate of increase in salaries | 3.95% |
| 2.90% | Rate of increase in pensions | 2.95% |
| 4.80% | Rate for discounting scheme liabilities | 4.90% |

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

Sensitivity Analysis:

| | Increase in Assumptions £'000s | Decrease in Assumptions £'000s |
|---|-----------------------------------|-----------------------------------|
| Adjustment to Discount Rate (increase or decrease by 1%) | | |
| Present Value of Total Obligation | (2,264) | 2,692 |
| Projected Service Cost | (108) | 113 |
| Adjustment to Long Term Salary (increase or decrease by 1%) | | |
| Present Value of Total Obligation | 248 | (246) |
| Projected Service Cost | 2 | (2) |
| Adjustment to Pension/Revaluation (increase or decrease by 1%) | | |
| Present Value of Total Obligation | 2,492 | (2,429) |
| Projected Service Cost | 114 | (110) |
| Adjustment to Life Expectancy (increase or decrease by 1 year) | | |
| Present Value of Total Obligation | 7,582 | (7,224) |
| Projected Service Cost | 119 | (115) |

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored

on an annual basis. The next triennial valuation is due to be completed on 31 March 2025.

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

Employer contributions payable to the scheme in 2023/24 are estimated to be £5.092m

Note 42 – Contingent Liabilities

The Council has no Contingent Liabilities as at 31st March 2024.

Note 43 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2024.

Note 44 – Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

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

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

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 28th February 2023. The strategy is updated at the mid-year point and revised estimates calculated as below. It is available on the Council's website (www.lincoln.gov.uk). The key issues during 2023/24 were:

- The Authorised Limit for 2023/24 was forecast to be £125m (the mid year forecast remained at £125m). This is the maximum limit of external borrowings or other long-term liabilities during the year.
- The original Operational Boundary was expected to be £121m (the mid year forecast remained at £121m). This is the expected level of debt and other long-term liabilities during the year.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

Credit risk

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

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

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

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

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

| | Carrying Values at 31/03/24 | Historical Risk of Default | Estimated maximum exposure to credit loss |
|---|-----------------------------------|----------------------------------|---|
| | £'000 | % | £'000 |
| | a | b | (a * b) |
| Deposits with banks and financial institutions | | | |
| AAA* rated counterparties (investments up to 1 year) | 8,543 | 0.000% | 0 |
| AA-* rated counterparties (investments up to 1 year) | 3,000 | 0.001% | 0 |
| A* rated counterparties (investments up to 1 year) | 2,000 | 0.002% | 0 |
| A- rated counterparties (investments up to 1 year) | 2,000 | 0.001% | 0 |
| BBB+ rated counterparties | 2,000 | 0.014% | 0 |
| Debtors | 8,270 | 7.170% | 593 |
| Total | 25,813 | | 593 |

*See Glossary for a definition of ratings

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

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

The Council maintains strict credit criteria for investment counterparties to maximise security and minimize risk of loss, which are demonstrated by the low historic risk of default percentages seen in the table above.

Analysis of Investments by country of origin

| | | Short term | | Long term | |
|---|-----------------------------|---------------------|------------------------|---------------------|------------------------|
| | Principal invested £'000 | Fixed rate £'000 | Variable rate £'000 | Fixed rate £'000 | Variable rate £'000 |
| <u>UK Local Authorities</u> | | | | | |
| Babergh District Council | 3,000 | 3,000 | 0 | 0 | 0 |
| | | | | | |
| <u>UK Banks & Building Societies</u> | | | | | |
| Close Brothers | 2,000 | 2,000 | 0 | 0 | 0 |
| Lloyds (NRFB) | 2,000 | 2,000 | 0 | 0 | 0 |
| SMBC | 2,000 | 2,000 | 0 | 0 | 0 |
| | | | | | |
| <u>UK Money Market Funds</u> | | | | | |
| BNP Paribas | 1,543 | 0 | 1,543 | 0 | 0 |
| Federated (Prime Rate) | 7,000 | 0 | 7,000 | 0 | 0 |
| Total Investments | 17,543 | 9,000 | 8,543 | 0 | 0 |

The Council allows credit for its trade debtors, such that £464k of the £2.938m balance is not past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| 31/03/23 £'000 | | 31/03/24 £'000 |
|-------------------|------------------------|-------------------|
| 425 | Less than three months | 159 |
| 251 | Three to six months | 139 |
| 312 | Six months to one year | 226 |
| 1,208 | More than one year | 1,950 |
| 2,196 | Total | 2,474 |

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

Liquidity risk

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

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

The maturity analysis of financial liabilities is as follows: -

| 31/03/2023 £'000 | Maturity Analysis of Financial Liabilities | 31/03/2024 £'000 |
|-----------------------------|---|-----------------------------|
| 14,394 | Less than one year | 4,216 |
| 2,225 | Between one and two years | 1,578 |
| 4,104 | Between two and five years | 7,073 |
| 102,913 | More than five years | 96,416 |
| 123,636 | Total | 109,283 |

Market risk

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

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

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

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

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| (671) | Increase in interest receivable on variable rate investments | (154) |
| (671) | Impact on Income and Expenditure Account | (154) |
| | | |
| (342) | Share of overall impact credited to the HRA | (92) |
| (329) | Share of overall impact credited to the General Fund | (62) |
| (671) | Total | (154) |

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

Price risk - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.784m in a number of joint ventures and in local industry. Whilst these holdings are generally liquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The majority of the shareholdings are in the Dunham Bridge Company (£0.504m) and Investors in Lincoln (£0.280m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

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

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

HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2024

| Restated 2022/23 | | Notes | 2023/24 | 2023/24 |
|---------------------|---|-------|----------|-----------------|
| £'000 | | | £'000 | £'000 |
| | Expenditure | | | |
| (8,947) | Repairs and Maintenance | 5 | (11,202) | |
| (6,411) | Supervision and Management | | (5,822) | |
| (905) | Rents, rates, taxes and other charges | | (1,059) | |
| 11,936 | Depreciation, impairment and other adjustments for non-current assets | | (1,461) | |
| (9) | Debt management costs | | (9) | |
| (300) | Movement in the allowance for bad debts | | 83 | |
| (4,636) | Total Expenditure | | | (19,470) |
| | Income | | | |
| 30,089 | Dwelling rents | | 32,514 | |
| 405 | Non-dwelling rents | | 423 | |
| 725 | Other Income | | 868 | |
| 544 | Charges for services and facilities | | 650 | |
| 31,763 | Total Income | | | 34,455 |
| 27,127 | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | | 14,985 |
| (333) | HRA Services' share of Corporate and Democratic Core | | | (374) |
| (1,872) | HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | | | (2,304) |
| (558) | Transfer from HRS | | | 0 |
| 24,364 | Net Cost for HRA Services | | | 12,307 |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | | | |
| 627 | Gain or (loss) on the sale of HRA assets | | | 218 |
| (2,432) | Interest payable and similar charges | | | (2,317) |
| 614 | Interest and investment income | | | 1,073 |
| (462) | Pensions interest income on plan assets and interest cost on defined benefit obligation | 9 | | (73) |
| 496 | Capital grants and contributions receivable | | | 817 |
| 23,207 | Surplus or (deficit) for the year on HRA services | | | 12,025 |

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

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| 1,030 | Balance on the HRA at the end of the previous year | 1,189 |
| 23,207 | Surplus or (deficit) for year on the HRA Income and Expenditure Statement | 12,025 |
| (22,298) | Adjustments between accounting basis and funding basis under statute | (10,986) |
| 908 | Net increase or (decrease) before transfers to or from reserves | 1,044 |
| (748) | Transfers (to) or from reserves | (1,096) |
| 159 | Increase or (decrease) in year on the HRA | (57) |
| 1,189 | Balance on the HRA at the end of the current year | 1,132 |

DRAFT

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Assets

The number of dwellings in the Council's housing stock, as at 31 March 2024, totalled 7,784 properties. The type of properties and the period in which they were built, were as follows:

| Property Type | <1945 No. | 1945-64 No. | 1965-74 No. | >1974 No. | TOTAL No. |
|--|--------------|----------------|----------------|--------------|--------------|
| Low Rise Flats (Blocks up to 2 Storeys) | | | | | |
| 1 Bed | 43 | 888 | 561 | 540 | 2,032 |
| 2 Bed | 5 | 118 | 82 | 105 | 310 |
| 3 Bed | 0 | 0 | 12 | 1 | 13 |
| Sub-Total | 48 | 1,006 | 655 | 646 | 2,355 |
| Medium Rise Flats (Blocks of 3 up to 5 Storeys) | | | | | |
| 1 Bed | 0 | 50 | 236 | 269 | 555 |
| 2 Bed | 0 | 215 | 110 | 148 | 473 |
| 3 Bed | 0 | 15 | 4 | 1 | 20 |
| 4 Bed | 0 | 0 | 0 | 0 | 0 |
| Sub-Total | 0 | 280 | 349 | 417 | 1,048 |
| High Rise Flats (Blocks of 6 Storeys or more) | | | | | |
| 1 Bed | 0 | 55 | 137 | 0 | 192 |
| 2 Bed | 0 | 30 | 70 | 0 | 101 |
| Sub-Total | 0 | 85 | 208 | 0 | 293 |
| Houses / Bungalows | | | | | |
| 1 Bed | 156 | 142 | 32 | 25 | 355 |
| 2 Bed | 705 | 749 | 97 | 347 | 1,898 |
| 3 Bed | 774 | 527 | 69 | 309 | 1,679 |
| 4 or more Beds | 99 | 24 | 1 | 32 | 156 |
| Sub-Total | 1,734 | 1,442 | 198 | 713 | 4,088 |
| Total Dwellings 31 March 2023 | 1,781 | 2,815 | 1,412 | 1,776 | 7,784 |

Note 2 – Housing Revenue Account Assets Valuation

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

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

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

The Balance Sheet value of HRA Assets is as follows:

| 2022/23 | | 2023/24 |
|----------------|---------------------------|----------------|
| £'000 | | £'000 |
| 321,964 | Council Dwellings | 331,285 |
| 4,117 | Land & Buildings | 4,625 |
| 13,533 | Surplus Assets | 9,800 |
| 2,958 | Assets Under Construction | 7,198 |
| 394 | Other Assets | 323 |
| 342,966 | Total at 31 March | 353,231 |

Note 3 – Depreciation

The Depreciation of HRA Assets is as follows:

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

Note 4 – Major Repairs Reserve

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

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

Note 5 – Housing Repairs Account

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|------------------------------------|------------------|
| (1,351) | Balance on 1 April | (1,351) |
| | Expenditure in year | |
| 0 | Painting Programme | 688 |
| 3,991 | Tenant Notified Repairs | 4,806 |
| 1,938 | Void Repairs | 2,110 |
| 1,792 | Servicing Contracts | 1,978 |
| 0 | Painting Programme | 688 |
| 190 | Asbestos Removal/Surveys | 152 |
| 1 | Specialist Property Surveys | 3 |
| 617 | Aids & adaptations | 984 |
| 16 | Aids & adaptations (Non HRS) | 26 |
| 80 | Cleansing | 91 |
| 0 | Minor Works | 0 |
| 68 | Decoration Grants | 54 |
| 6 | Tenants Compensation | 2 |
| 0 | COVID Charges | 0 |
| 143 | Skip Recharges | 133 |
| 36 | Control Centre Recharge | 34 |
| 0 | Estate Shops | 0 |
| 105 | Other Expenditure | 170 |
| 8,983 | | 11,231 |
| | Income in year | |
| (8,909) | Contribution from HRA | (11,098) |
| 0 | Contribution to HRA |) |
| (74) | Repairs Account Income | 0 |
| 0 | Contribution from Leaseholders | (133) |
| 0 | Interest Received in year | 0 |
| (8,983) | | (11,231) |
| | |) |
| (1,351) | Surplus Balance on 31 March | (1,351) |

Note 6 – Capital Expenditure in the year

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| | Capital investment | |
| 12,647 | Property, Plant and Equipment – HRA | 14,732 |
| 0 | Property, Plant and equipment – GF used as council housing | 0 |
| 0 | Non-Current Assets held for sale | 0 |
| 0 | Intangible Assets | 0 |
| 0 | Revenue Expenditure funded from Capital under Statute | 0 |
| 12,647 | | 14,732 |
| | Sources of funding | |
| (1,917) | Capital Receipts | (2,557) |
| 0 | Revenue Contributions | 0 |
| (7,465) | Major Repairs Reserve | (9,645) |
| (2,770) | Prudential Borrowing | (1,713) |
| (495) | Government grants and other contributions | (817) |
| (12,647) | | (14,732) |
| 0 | Balance unfunded at 31 March | |

* REFCUS is created when expenditure has been incurred on items that are not capitalised as assets but have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.000m for 2023/24 (£0.000m in 2022/23).

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

Note 7 - Capital Receipts

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|-----------------------------------|------------------|
| | Council dwellings | |
| (3,239) | - Right to Buy | (1,861) |
| 0 | - Discounts repaid | (36) |
| | Other Receipts | (66) |
| 0 | - Land Sales reimbursements | 0 |
| 0 | - Reimbursement of expenditure on | 0 |
| 0 | General Fund property on sale | |

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|--|------------------|
| | Land receipts | |
| (3,239) | | (1,962) |
| 0 | Less Pooled (Paid to Central Government) | 0 |
| (3,239) | Total | (1,962) |

Note 8 - Rent Arrears

During the year 2023/24 total rent arrears decreased by £78k equal to 3.6%, to £2.087m. A summary of rent arrears and prepayments is shown in the following table:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|-----------------------------------|------------------|
| 1,158 | Current Tenant Arrears @ 31 March | 1,212 |
| 1,007 | Former Tenant Arrears @ 31 March | 875 |
| 2,165 | Total Rent Arrears | 2,087 |
| (280) | Prepayments @ 31 March | (726) |
| 1,885 | Net Rent Arrears | 1,361 |

A write back from the Balance Sheet of £82,507.99 has been made in this year's accounts, following recalculation of sundry debt model, in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of provision held on the Balance Sheet at 31 March 2024 is £1,584,278 (£2,161m at 31 March 2023).

Note 9 - Pension Costs

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

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|---|------------------|
| | HRA Income & Expenditure Statement | |
| 2,268 | Current Service Cost | 952 |
| 0 | Past Service Costs | 0 |
| 462 | Net interest expense | 73 |
| 2,730 | Total | 1,025 |
| (1,931) | Amount to be met from HRA | (1,676) |
| 799 | Movement on Pension Reserve | (651) |

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

| 2022/23 £'000 Total | | 2023/24 £'000 Council Tax | 2023/24 £'000 NNDR | 2023/24 £'000 Total | Note |
|--------------------------------|---|------------------------------------|--------------------------|---------------------------|------|
| INCOME | | | | | |
| (50,192) | Council Tax Payers | (52,971) | - | (52,971) | 2 |
| (124) | Income from Ministry of Defence | (124) | - | (124) | |
| (40,286) | Income from Business Ratepayers | - | (33,466) | (33,466) | 3 |
| - | Transitional Relief Income | - | (1,533) | (1,533) | |
| (90,602) | | (53,095) | (34,999) | (88,095) | |
| EXPENDITURE | | | | | |
| Precepts: | | | | | |
| 7,360 | - City of Lincoln Council | 7,556 | - | 7,566 | |
| 36,248 | - Lincolnshire County Council | 37,966 | - | 37,966 | |
| 6,993 | - Police & Crime Comm. Lincolnshire | 7,354 | - | 7,354 | |
| Business Rates: | | | | | |
| 19,376 | - Payments to Government | - | 18,818 | 18,818 | 3 |
| 15,501 | - Payments to City of Lincoln Council | - | 15,054 | 15,054 | 3 |
| 3,875 | - Payments to Lincs County Council | - | 3,370 | 3,370 | 3 |
| 142 | - Cost of Collection | - | 139 | 139 | |
| 6 | - Transitional Relief Payments | - | - | - | |
| Bad and Doubtful Debts | | | | | |
| 354 | - Provisions | 454 | 73 | 527 | |
| 175 | - Write Offs | 142 | 200 | 342 | |
| (536) | - Provision for appeals | - | (3,147) | (3,147) | |
| (10,147) | Transfer of Collection Fund Surplus | (927) | 1,705 | 778 | 4 |
| 79,347 | | 52,545 | 36,605 | 89,150 | |
| (11,255) | Deficit / (Surplus) for the year | (550) | 1,606 | 1,056 | |
| COLLECTION FUND BALANCE | | | | | |
| 10,285 | Balance brought forward at 1 st April | 831 | (1,801) | (970) | |
| (11,255) | Deficit/(Surplus) for the year (as above) | (550) | 1,606 | 1,056 | |
| (970) | Balance carried forward at 31st March | 281 | (195) | 86 | |
| Allocated to: | | | | | |
| (598) | - City of Lincoln Council | 41 | (78) | (37) | |
| 415 | - Lincolnshire County Council | 201 | (20) | 181 | |
| 114 | - Police & Crime Comm. Lincolnshire | 39 | - | 39 | |
| (900) | - Government | - | (97) | (97) | |
| (970) | | 281 | (195) | 86 | |

NOTES TO THE COLLECTION FUND

Note 1 - General

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

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. For 2023/24, the City of Lincoln's proportionate share remained consistent with that of 2022/23, as follows:

| | 2022/23 'Pool' |
|-----------------------------|----------------|
| City of Lincoln | 40% |
| Lincolnshire County Council | 10% |
| Central Government | 50% |

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

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

Note 2 - Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific

purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2023/24 was 25,249.48 (25,310.01 in 2022/23). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2022/23 was approved at the Executive on 21st February 2022 and was calculated as follows:

| Band | Ratio | Dwellings | Equivalent Dwellings after discounts, exemptions and reliefs | Equivalent Band D Dwellings |
|--|-------|---------------|--|-----------------------------|
| A Reduced | 5/9 | 51 | 22 | 12 |
| A | 6/9 | 26,045 | 17,701 | 11,801 |
| B | 7/9 | 8,626 | 7,411 | 5,764 |
| C | 8/9 | 4,702 | 4,202 | 3,735 |
| D | 9/9 | 2,431 | 2,257 | 2,257 |
| E | 11/9 | 1,116 | 1,053 | 1,287 |
| F | 13/9 | 389 | 370 | 534 |
| G | 15/9 | 137 | 134 | 224 |
| H | 18/9 | 16 | 11 | 22 |
| Total | | 43,513 | 33,161 | 25,636 |
| Deduction for Non-Collection | | | | (449) |
| Crown Properties Adjustment | | | | 62 |
| Tax Base for the Calculation of Council Tax | | | | 25,249 |

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

Income received from Council Taxpayers in 2023/24 was £52,971m (£50,192m in 2022/23).

Note 3 - Income from Business Ratepayers

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

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a

proportion of the total collectable rates due. For 2023/24, the City of Lincoln's retained share remained consistent with that of the previous year as follows:

| | 2022/23 'Pool' | 2023/24 'Pool' |
|-----------------------------|----------------|----------------|
| City of Lincoln | 40% | 40% |
| Lincolnshire County Council | 10% | 10% |
| Central Government | 50% | 50% |

The business rates shares payable for 2023/24 were estimated before the start of the financial year as £18.818m (£19.376m in 2022/23) to Central Government, £3.764m (£3.875m in 2022/23) to LCC and £15.054m (£15.501m in 2022/23) to the City of Lincoln Council. These sums have been paid in 2023/24 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government or to Top-up authorities within an NNDR Pooling arrangement are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In 2023/24 the City of Lincoln made a tariff payment from the General Fund to the County Council to the value of £12.209m (£13.094m in 2022/23).

The total income from business rate payers collected in 2023/24 was £33.466m (£40.286m in 2022/23).

In addition to the top up/tariff, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income (either through support from Central Government if they are not in a NNDR Pool/Pilot or as first call on gains from pooling/pilot if authorities are members of an NNDR Pool/Pilot). For the City of Lincoln the value of the safety net figure (net of tariff) is £3.660m (£3.528m in 2022/23). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2023/24.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31st March 2024. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision withdrawn from the collection fund for 2023/24 has been calculated at £3.147m (£0.536m was withdrawn in 2022/23).

For 2023/24, the total non-domestic rateable value at the year-end is £108.7m (£111.7m in 2022/23). The national multipliers for 2023/24 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.9p and 51.2p respectively in 2022/23).

Note 4 - Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2023 it was estimated that the Collection Fund would have a Council Tax deficit of £0.927m (£0.037m deficit in January 2022) and a Business Rates surplus of £1.705m (£10.110m deficit in January 2022), a combined Collection Fund surplus of £0.778m (£10.147m deficit in January 2022) and so the following amounts were due to or from the preceptors in 2023/24:

| 2022/23 £'000 | | 2023/24 £'000 |
|------------------|-----------------------------------|------------------|
| 4,050 | City of Lincoln Council | (546) |
| 1,038 | Lincolnshire County Council | 493 |
| 4 | Police & Crime Comm. Lincolnshire | 127 |
| 5,055 | Central Government | (852) |
| 10,147 | Total | (778) |

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

DRAFT



Annual Governance Statement





Introduction

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

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

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

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

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

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



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

DRAFT



Statement of Opinion

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



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

Date:



Angela Andrews, Chief Executive:

Date:

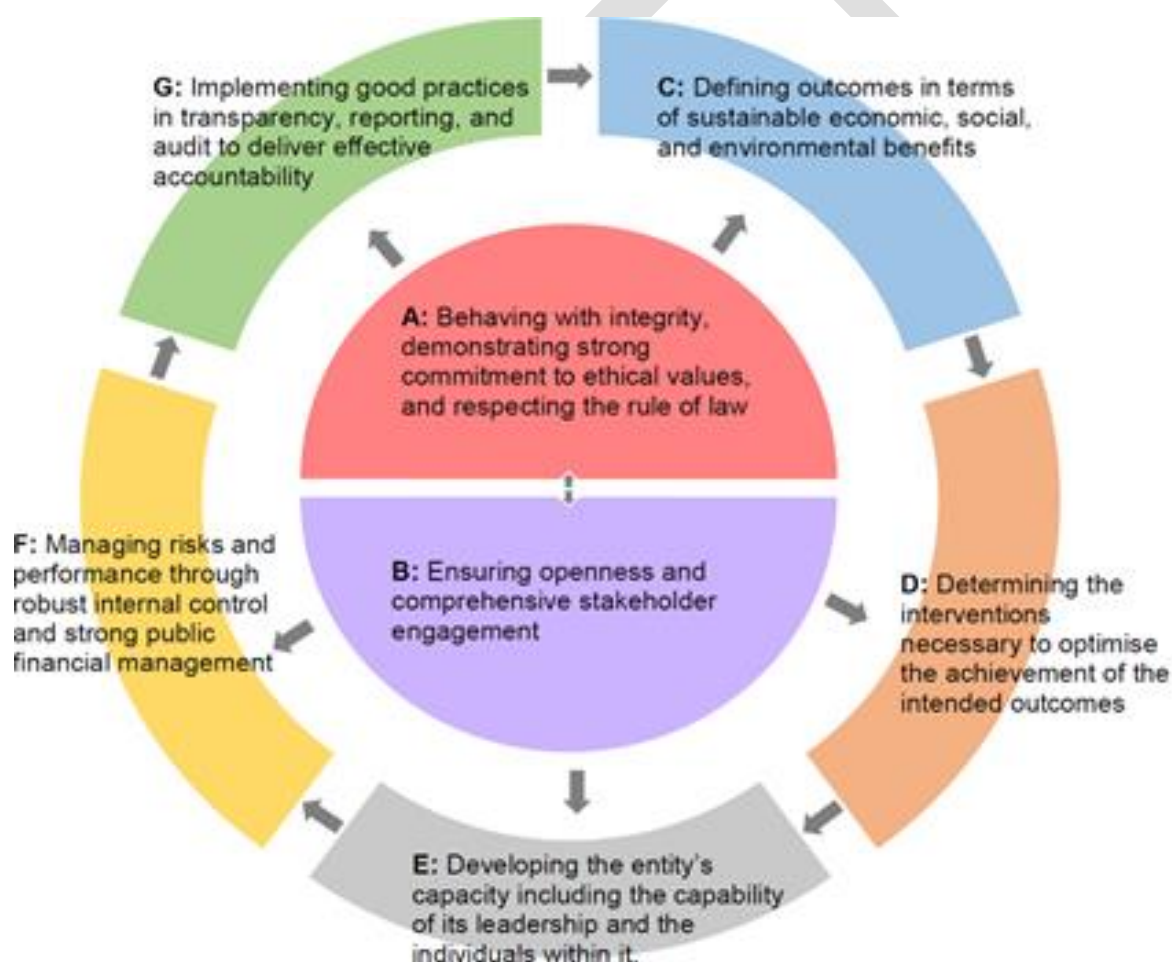


Part 1: Our Governance Framework

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

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

Our Code is based on seven core principles:



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

Council

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

Leader and Executive

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

Corporate Management Team and statutory officers

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

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

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

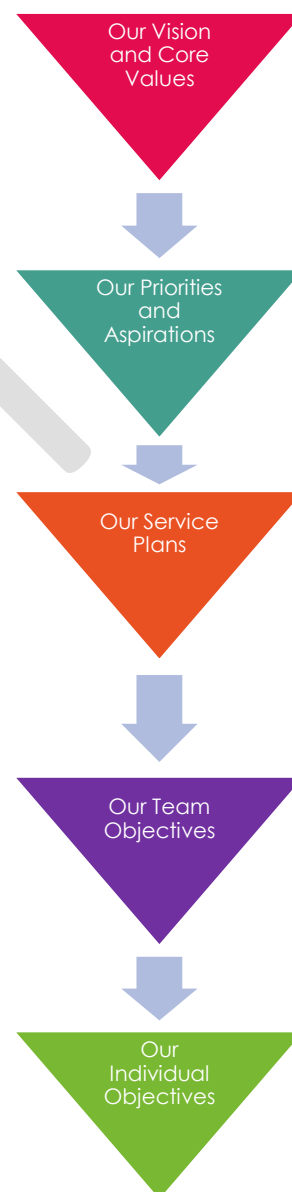
Scrutiny and audit committees

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

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

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

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



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

Impact of Covid-19 on our governance

It has now been four years since the first lockdowns of the Covid-19 pandemic. The pandemic caused major disruption to the Council's day-to-day operations, and has had a lasting impact on how we deliver services to our residents and local businesses. The steps we have taken over the past four years have fully embedded these new

ways of working, and we now have enhanced business continuity procedures, an IT Disaster Recovery Plan, and renewed governance arrangements that ensure we are prepared for future extraordinary events should they emerge.

Internal and External Assurance

Head of Internal Audit

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

| Performing Well | Performing | Adequately |
|-------------------|------------------|------------|
| Governance | Internal Control | |
| Risk | | |
| Financial Control | | |

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

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

Internal audits completed in 2023/24 include:

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

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

External Audit Annual Opinion

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

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

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

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

The CIPFA Financial Management Code 2019 (FM Code)

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

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

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

| | | | |
|---|---|--|--|
| | assessment. | | resilience assessment – Dec 24 |
| L | The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget. | | Further development of engagement approach for budget/strategic plan consultation – Nov 24 |

No areas were identified as having minimum compliance.

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

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

Significant governance issues monitored in 2023/24

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

New significant governance issues identified in this AGS

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

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

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

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

- An internal audit of Contract Management has been given 'limited assurance', due to some contracts not being managed consistently. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Monitoring Officer.
- An internal audit of IT Asset Management has been given 'limited assurance'. Actions arising from this audit will be monitored quarterly by the Audit Committee, overseen by the Assistant Director for Transformation and Strategic Development.
- Our project governance arrangements need to be reviewed and updated, to ensure that all projects are being implemented in full accordance with the Lincoln Project Management Model (LPMM) and that use of the LPMM is consistent. The LPMM is undergoing a full review over the coming year and has been included in the action plan in Part 3 of this AGS.

- There is an ongoing need for all directorates to ensure financial, legal and procurement advice is sought for projects in a timely manner. This will continue to be monitored by the Chief Finance Officer and Monitoring Officer.
- There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges. This will continue to be monitored by our Organisational Development group.
- The Lincoln Performance Management Framework needs to be refreshed, following an internal audit of Performance Management. Works are in progress to complete this work in 2024/25 so it coincides with the launch of our Vision 2030 strategic plan, and this will be monitored quarterly by the Audit Committee and overseen by the Assistant Director for Transformation and Strategic Development.

Conclusion

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




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

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




Part 2: Assessment of our Core Principles


What our definitions mean:

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

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

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


Core Principle B: Ensuring openness and comprehensive stakeholder engagement

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


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

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

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

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


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

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


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

DRAFT

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


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

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

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

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

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

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



Part 3: Action Plan

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

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

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

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

AGS - GLOSSARY OF TERMS USED

| | |
|-------|---|
| AGS | Annual Governance Statement |
| AD | Assistant Director |
| CPG | Capital Programme Group |
| CFO | Chief Finance Officer |
| CLT | Corporate Leadership Team |
| CMT | Corporate Management Team |
| CPR | Contract Procedure Rules |
| CS | City Solicitor |
| CX | Chief Executive |
| DCLG | Department for Communities and Local Government |
| DfT | Department for Transport |
| DR | Disaster Recovery |
| FPR | Financial Procedure Rules |
| GDPR | General Data Protection Regulation |
| GLLEP | Greater Lincolnshire Local Enterprise Partnership |
| H&S | Health & Safety |
| HB | Housing Benefit |
| HPS | High Performing Services |
| HR | Human Resources |
| ICT | Information, Communication Technology |
| PIMS | Performance & Management Information System |
| LGA | Local Government Authority |
| LPMM | Lincoln Project Management Model |
| MTFS | Medium Term Financial Strategy |
| PIR | Post Implementation Review |
| PVP | Protecting Vulnerable People (group) |
| RO | Responsible Officer |
| RSG | Revenue Support Grant |
| TFS | Towards Financial Sustainability |
| SM | Service Manager |
| VFM | Value for Money |

GLOSSARY

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CLAW-BACK

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFERRED CHARGES

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FAIR VALUE INPUT LEVELS

Basis for recurring fair value measurements:

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INCOME AND EXPENDITURE ACCOUNT

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NON-OPERATIONAL ASSETS

Assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.