



LINCOLNSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2022 TO 2023

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# INTRODUCTION TO THE ACCOUNTS

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The Statement of Accounts for the year 2022/23 is set out on pages 27 to 30.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, and service users, elected members, employees, and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

The Narrative Report provides a general introduction to the Accounts that focus on explaining the more significant features of the Council's financial activities during the period 1 April 2022 to 31 March 2023. It includes a review of non-financial performance indicators and an assessment of future financial and economic developments that could affect the Council, as well as a summary of the impacts of the coronavirus pandemic. Together these statements provide evidence of the economy, efficiency, and effectiveness of the Council's use of resources over the financial year.

The Statement of Responsibilities for the Statement of Accounts details the financial responsibilities of the Council and the Executive Director of Resources.

The Comprehensive Income and Expenditure Statement shows the accounting cost of providing services throughout the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and movement in the year following those adjustments.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves of money that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council cannot use to fund

# INTRODUCTION TO THE ACCOUNTS

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the provision of services. This category includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve); where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Notes to the Accounts summarise significant accounting policies, further information, and detail of entries in the prime Statements named above and other explanatory information.

The Lincolnshire Fire and Rescue Pension Fund Account shows the operation of the Pension Fund run by the Council for its own Fire-fighter employees.

The Lincolnshire Pension Fund shows the operation of the Fund run by the Council for its own employees and employees of the seven District, City and Borough Councils in Lincolnshire along with other scheduled and admitted bodies.

The Audit Opinions contain the External Auditor's report and opinion and covers the Council's Financial Statements, Lincolnshire County Council Pension Fund and the Lincolnshire Fire and Rescue Pension Fund.

The Annual Governance Statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

# NARRATIVE REPORT

## Introduction.

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1 April 2022 to 31 March 2023. This Narrative Report to the accounts provides background information about Lincolnshire County Council, highlights key non-financial information, financial information in the accounts, reviews performance in the year and explains any significant areas of risk and opportunity for us. It then looks forward to the future to give a flavour of what to expect in 2023/24 and beyond.

The accounts themselves, which follow this Narrative Report, provide information about the Council's financial performance during 2022/23 and about our financial position as at 31 March 2023. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the main elements of the accounts are shown in the table of contents on pages 2 to 4. This means that almost all of the information reported in these accounts follows generally accepted accounting principles and provides a consistent basis upon which to compare 2022/23 with 2021/22. In addition to this, the Council reports internally to its leadership team on financial performance against the annual budget. Information about performance against the annual budget is included in this Narrative Report within section three and is also shown in the Expenditure and Funding Analysis within the Statement of Accounts on page 47.

## About Lincolnshire County Council.

Lincolnshire is an English county council in the East Midlands region. It is the second largest county in terms of its area but has a relatively low population of around 770,000. There is one city in Lincolnshire, which is Lincoln, seven districts and a number of towns. Lincolnshire is a mainly rural county, with a North Sea coast of over 50 miles, and is largely flat with rich arable land. In terms of its economy, Lincolnshire is predominantly agricultural and is the UK's largest producer of potatoes, wheat, cereal and poultry. Due to its historic sites, extensive countryside and seaside resorts Lincolnshire also has a thriving visitor economy.

Lincolnshire County Council is a local government body within a two tier system. We are an "upper tier" council with responsibility for services such as education; children's social care; adult care and community wellbeing; highways; economic development; libraries, heritage sites; fire and rescue and emergency planning. We have seventy elected members and operate a "Leader and Executive" model of decision making. The Executive makes the decisions that deliver the budget and policy framework of the Council and there are a number of committees which scrutinise decisions made by the Executive and hold members of the Executive to account.

Our vision is "working for a better future" and in 2019 we approved a new Corporate Plan for 2020 to 2030, which set out four key priorities for us to work on. These are that in the coming years, people and communities will have: high aspirations; the opportunity to enjoy life to the full; thriving environments and good value council services. We operated a Delivery model to deliver services through Directorates in 2022/23, and we take a "One

# NARRATIVE REPORT

Council" approach which means that related services across the Council join together to achieve our objectives. During the year services were divided between four Executive Directors and the Chief Executive with responsibility for delivering strategies and plans within their areas. The areas are Children's Services; Adult Care and Community Wellbeing; Place; Fire and Rescue; Resources and Corporate Services. In addition to this, the Council is also the administering authority for the Local Government Pension Scheme in Lincolnshire.

Services were delivered to Lincolnshire's residents, businesses and visitors by our staff, our partners and by our commissioned suppliers. We have policies in place to support the delivery of high-quality services, for example by ensuring that staff are appropriately qualified and skilled; by ensuring that governance arrangements are in place to quality assure our partner organisations; and by ensuring that our purchasing practices result in the selection of high-quality suppliers.

## Financial Highlights.

There are 4 core financial statements within this Statement of Accounts, which provide a summary of our financial performance and financial position at the end of the year. These statements can be found on pages 27 to 30 and are supported by comprehensive disclosure notes which give more detail on the Council's substantial transactions during the year.

Since 2020/21 the coronavirus pandemic has impacted on our activities and on our finances, however in 2022/23 the impact was negligible as living with coronavirus has become embedded in everyday life. We have continued to receive government grants related to Covid-19 in the year, and to pay these grants out. There is further information on this in the Review of 2022/23 section below.

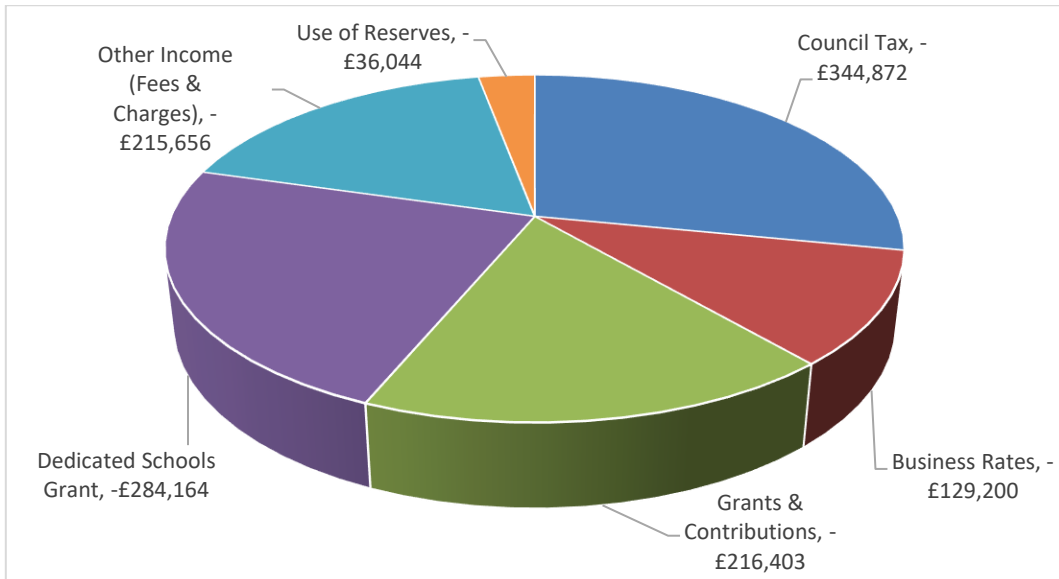
## The Council's Income.

Our services are funded by various sources of income. The most significant of these are: Council Tax; Business Rates; Fees and Charges for Services and specific Government Grants. Further detail on Government Grants can be found in Note 8 to the accounts. The Council, along with its seven District Council partners, was in a Business Rates Pool in 2022/23 and the Pool is expected to generate an estimated surplus for us of £3.094m. In 2022/23 we increased Council Tax by 4.99% and also saw growth of 2.05% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for us of £22.756m. In total, funding in 2022/23 amounted to £1,226.339m (£1,136.459m in 2021/22). The following pie chart shows the amounts and proportion received from each main source of funding:



# NARRATIVE REPORT

## Sources of Income Analysis 2022/23 £1,226,339 (£000's)



### The Council's Expenditure.

We planned to use our resources for the year as set out in the table below (Revised Net Revenue Budget column). The rows in the table show each of our Service Delivery areas in line with the Delivery model described in section two. The table below also shows actual net expenditure and the variance, or difference, between planned and actual use of resources in the year. A detailed explanation of the differences between planned and actual spending can be found in the "Review of Financial Performance 2022/23" report to the Executive on 4 July 2023 (see end of this Narrative Report for a hyperlink to this) but the most significant differences are explained below the table.

### Revenue Budget Outturn Position 2022/23 (£000's)

Service Areas	Revised Net Revenue Budget £m	Expenditure £m	Under or Overspending £m	Percentage Under or Overspending %
Children's Services	97	95	(1)	-2%
Adult Care and Community Wellbeing Place	157	156	(1)	0%
Fire & Rescue	117	117	0	0%
Resources	24	24	0	0%
Corporate Services	73	71	(2)	-3%
Corporate Services	3	3	(0)	-7%
<b>Total Service Areas</b>	<b>470</b>	<b>465</b>	<b>(4)</b>	<b>-1%</b>
Total Other Budgets	99	98	(1)	-1%
<b>Total Net Expenditure Excluding Schools</b>	<b>569</b>	<b>563</b>	<b>(5)</b>	<b>-1%</b>
Total Movement Of Reserves	(36)	(36)	0	0%
Total Income	(545)	(552)	(7)	1%
<b>Total Excluding Schools</b>	<b>(12)</b>	<b>(25)</b>	<b>(13)</b>	
Total School Budgets	12	(5)	(17)	-139%
<b>Total Including Schools</b>	<b>0</b>	<b>(30)</b>	<b>(30)</b>	

There was an underspend of £17.076m relating to the Dedicated Schools Grant. This includes the maintained schools brought forward school balances from prior years and the

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2022/23 financial performance (£13.217m). The Dedicated Schools Grant is a ring-fenced amount and will be automatically carried forward to use in 2023/24 in accordance with the grant conditions. Other school-related funding streams account for underspending of £0.570m.

The underspend on service budgets this year was £4.043m or 0.9% of the budget. Of the service areas' underspend, £1.821m of this was in the Directorate of Resources. This was mainly due to staffing vacancies in several areas, as well as an underspend on the finance support service contract due to the delay in implementing moving Adult Social care payments from a net basis to a gross basis. The Children's Services Directorate underspent by £1.494m due to a variety of factors. Staffing vacancies created underspends in Special Educational Needs and Disabilities, the 0-19 health service and early help services. These underspends have helped to offset overspends in the transport of children and families for family time and social care legal costs.

The total underspend in the Adult Care and Community Wellbeing Directorate was mainly due to volume-based services within Public Health being delivered under the budgeted amount, namely health checks and sexual health services.

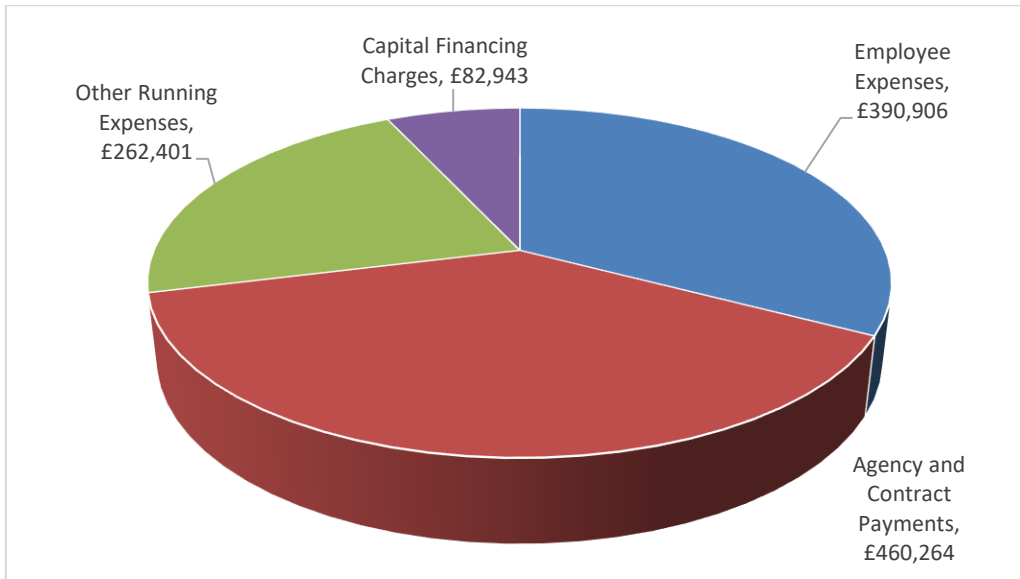
Other Budgets underspent by £1.336m mainly due to an underspend on insurance premiums of £1.014m compared to the budget which had assumed higher increases, and an underspend on historic pension liabilities resulting from higher attrition rates than budgeted for.

On the funding side of the budget, there was additional income of £7.370m. This was due to an estimated surplus of £1.294m on Business Rates Pooling compared to the budget, government grant received of £4.383m for Business Rates reconciliations relating to prior years, a distribution of our share of the Business Rates Levy Account surplus of £0.935m, with the remainder relating to some grants being received at amounts higher than budgeted for.

In total, we spent a gross amount of £1,196.514m in 2022/23 (£1,105.663m 2021/22). After taking account of fees, charges and other contributions towards services, this was a net amount of £522.555m (£492.269m 2021/22). Another way of looking at how the Council uses its financial resources is to show what type of expenditure is being funded. The pie chart below analyses expenditure by type and shows that we rely on both our own employees and on contractors to deliver services to the community.

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## Gross Expenditure Subjective Analysis 2022/23 £1,196,514 (£000's)



### Investment in Assets.

Our revenue budget, as detailed above, is used to fund all day to day running costs of the Council. Alongside this we also spend money on longer term assets such as roads, buildings, vehicles, equipment and IT systems, and plans for this are within the Capital Programme. Investment in longer term assets helps us to maintain our service delivery, but it also supports innovation and growth in the wider community for example by improving the County's road infrastructure or by investing in economic development initiatives.

The table below shows, in summary format by Service Delivery Area, our gross spending plans for capital in the year, as well as our actual gross expenditure performance against those plans. Our overall net variance on the capital programme in 2022/23 was an underspend of £49.819m (£50.049m in 2021/22), with the overall gross position being an underspend of £51.387m (£48.428m in 2021/22). The main reasons for the differences between planned and actual capital spending are explained in the "Review of Financial Performance 2022/23" report to the Executive on 4 July 2023 but the most significant differences are explained below the table. All overspends and underspends on the capital programme are carried forward to the next financial year.

### Capital Gross Programme Outturn Position 2022/23 (Summarised) (£000's)

	Gross Programme		
	Actuals £'000	Revised budget £'000	Gross Outturn Variance £'000
Adult Care and Community Wellbeing	7,270	8,294	-1,024
Children's Services	38,863	39,926	-1,063
Place	143,202	168,402	-25,200
Fire and Rescue	636	1,566	-930
Resources	6,308	9,575	-3,267
Other Programmes	0	19,903	-19,903
	196,279	247,666	-51,387

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The most significant underspends were in The Place and Resources Directorates and in Other Programmes.

In the Communities area within the Place Directorate, there were some delays to projects within Flood and Water Risk Management, resulting in an underspend of £1.506m. Within the Highways area of the Place Directorate, there were a number of underspends on major projects. These included £19.000m on the Grantham Southern Relief Road scheme due to poor ground conditions requiring the re-design of a bridge which has delayed the project. Advanced Levelling Up Funding has been received for improvements to the A16 road and work to date has been to complete design and enabling works, resulting in an underspend of £2.595m to be carried forward. The Lincoln Eastern Bypass scheme is fundamentally complete, with a budget remaining to deal with any land compensation claims that may arise - this is an amount of £2.596m. The Highways Asset protection block budget overspent in year by £11.571m because the programme was delivered in full, incorporating increases in contract and materials prices. This overspend will be carried forward to 2023/24 and managed within next year's budget and has been offset in the current year by a number of smaller underspends on various schemes and block budgets.

Within the Resources Directorate, the main underspend was in the IT area of the capital programme on the Improvement Transformation block budget. The underspend was £2.000m because the requirement to spend to support transformation programmes will be in the next financial year and beyond.

For 2022/23 we set aside £7.500m in a New Developments Capital Contingency Fund for schemes which emerge during the financial year, and also to mitigate against emerging financial risk within schemes already committed to. An additional sum was brought forward from the 2021/22 financial year to add to this. An underspend of £19.903m remaining at the end of 2022/23 will be carried forward into 2023/24 to fund emerging capital priorities in the new financial year.

During 2022/23 we planned to spend £247.666m gross on capital and £151.386m net after grants and contributions. The major assets which have been progressed during the year are:

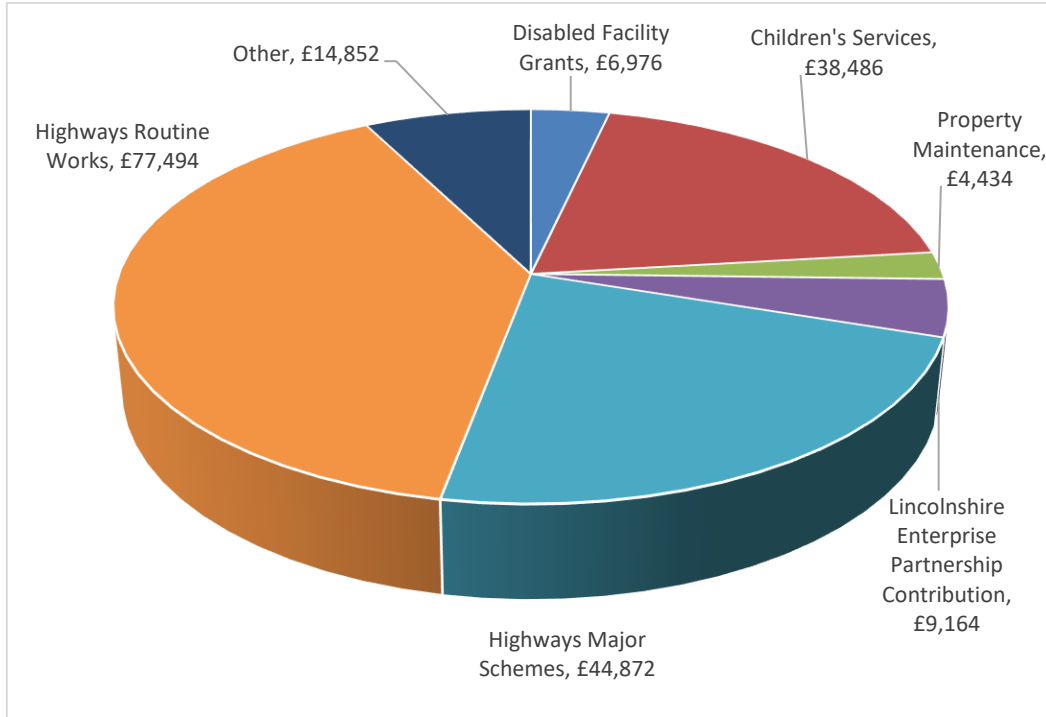
- Completion of the new, short break Children's Home facility on the St Francis Special School site.
- New builds, expansion and remodelling work in other Lincolnshire special schools through the Building Communities of Specialist Provision Strategy, which will deliver over 500 additional special school places and access to all complex needs provision upon completion of the strategy.
- Continuing construction of the Grantham Southern Relief Road scheme.
- Continuing construction of the Spalding Western Relief Road (section 5) scheme.
- Expanded facilities for businesses as the Market Deeping Eventus centre and at the South Lincolnshire Food Enterprise Zone.

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- A programme of works to address condition issues of school buildings.

The pie chart below shows the major areas of capital investment during 2022/23.

Gross Expenditure on Major Investment Projects 2022/23 £196,279 (£000's)



The capital programme was funded by various sources of income totalling £196.279m (£194.144m 2021/22). The following table shows the proportion received from each main source of funding:

Sources of Capital Financing 2022/23	£'000
Revenue Contributions	16,063
Use of Reserves	18,843
Grants and Contributions	97,232
Capital Receipts	4,332
Borrowing	59,809
<b>Total</b>	<b>196,279</b>

The Council's Assets and Liabilities.

Our assets are what we own, and our liabilities are what we owe. These are shown on the Balance Sheet on page 29. The table below shows an extract from the Balance Sheet with key figures in it, and an explanation of these key figures is set out below the table.

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31 March 2022		31 March 2023
£000's		£000's
1,619,778	Long Term Assets	1,741,619
358,707	Current Assets	343,481
(208,907)	Current Liabilities	(227,889)
(1,348,803)	Long Term Liabilities	(743,050)
<b>420,774</b>	<b>Net Assets</b>	<b>1,114,161</b>
332,459	Usable Reserves	323,793
	Unusable Reserves	
966,164	Re Long Term Assets	1,062,444
(1,141)	Re Financial Instruments	(876)
(867,001)	Re Pensions	(268,742)
(9,707)	Re Other	(2,458)
88,315	Total Unusable Reserves	790,368
<b>420,774</b>	<b>Total Reserves</b>	<b>1,114,161</b>

Overall, our net assets position has increased by £693.387m from £420.774m to £1,114.161m. The most significant factors contributing to this increase in the net assets value are as follows:

- Property, Plant and Equipment values have increased by £127.835m, from £1,609.412m to £1,737.247m. In the main this was due to new additions to assets resulting from capital expenditure in the year. Most disposals were assets that had been fully depreciated so did not affect the net book value. There was also a net increase due to upward revaluations of some land and building assets.
- Short-term investments sit within Current Assets and have decreased by £35.906m from £281.352m to £245.446m. The main reason for this is that new capital expenditure in 2022/23 was not financed by any new external borrowing and was instead financed using available cash. This reduced the amount of cash available for investing.
- Current Liabilities have increased by £30.763m to £104.511m and this is due to the overdrawn cash position on the Council's bank account (which is offset by a credit balance on the Lincolnshire Pension Fund bank account). The Council's increased overdraft was mainly due to the implementation of a new ERP system in April 2023, which necessitated paying most outstanding supplier balances by 31 March 2023 in the old ERP system.
- The long-term liability for pensions has decreased by £598.259m, from £867.001m to £268.742m. This is the estimated value of the commitment to pay future retirement benefits to the Council's employees, although it does not represent an immediate

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call on reserves as it is a long-term commitment. Within this overall figure, the Local Government Pension Scheme (LGPS) Fund net liability is £63.042m, a reduction of £512.159m and the Firefighter Pension Schemes Fund liability is £205.700m, a reduction of £86.100m. For both funds, the liability has reduced mainly due to changing assumptions around life expectancy which is now assumed to be slightly shorter than previously, salary and pension payment future increases at a lower rate than previously assumed, and an increase in the discount rate driven by rising bond yields. For the LGPS, asset returns were lower than in the previous year, however this was not enough of a change to counteract the overall decrease in the liability. This position changes from year to year, dependent upon economic and other conditions, and the decrease in the liability has no direct impact on the Council's annual budget.

Our usable reserves have decreased from £332.459m to £323.793m, with £16.400m within this total being the balance on our General Reserves.

## Performance and Outcomes

### Corporate Plan.

We have a Corporate Plan for 2020 to 2030 which is covered in more detail in section 2, and this year we have been working to the 2022/23 business plan derived from that Corporate Plan. The Council sets its business plan annually, and this is supported by the annual revenue budget and capital programme.

The overall performance against the Corporate Plan up to quarter 3 of 2022/23 is shown within the Annual Governance Statement which starts on page 213. The link provided on page 220 will take you to more detailed information on our Corporate Plan performance. Once the full year performance outcomes have been finalised, these will be updated in the Annual Governance Statement and in this Narrative Report, and published in the final, audited Statement of Accounts.

In the Annual Governance Statement, we are reporting that as at quarter 3 of 2022/23 one of the Council's ambitions is progressing entirely as planned (Enable Everyone to Enjoy Life to the Full). The ambition Create Thriving Environments is progressing 86% as planned and 14% within agreed limits. The ambition Provide Good Value Council Services is progressing 92% as planned and 8% within agreed limits. The ambition Support High Aspirations is progressing 89% as planned and 11% within agreed limits.

Performance is monitored throughout the year and is reported to the Council's Executive quarterly, after being scrutinised by the Overview and Scrutiny Management Board.

### Review of 2022/23.

The budget for 2022/23 was set and approved by the Council in February 2022, in the context of continuing uncertainty about longer term government funding, growing cost

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pressures from demand led services such as adult and children's social care, and the Council's responsibility to pay the National Living Wage, and early signs of higher than usual levels of inflation.

The year 2022/23 was the third year following the coronavirus pandemic, during which the country as a whole moved towards a new normality which included learning to live with the coronavirus. As reported in the previous year, government restrictions were no longer in place and the impact of the virus on council activities was significantly reduced. In 2022/23 we continued to receive sums of money from the government in the form of various coronavirus grants and continued to pay amounts out. Note 4 Material Items on page 38 provides more information about Covid-19 related expenditure and grant income. We have been able to fund all expenditure on Covid-19 (£23.357m this year) by using the grants allocated to us during this year (£18.871m) as well as the grant funding brought forward from previous years.

We have had to deal with a number of cost pressures, amounting to £53.609m in budgetary terms. These included: pay inflation to cover both the 2021/22 and 2022/23 pay awards; increases to cover inflation on major Council contracts; growth in the number of children in care reflecting the impact of the pandemic; an increase in the level of fees paid to the providers of Adult Social Care services; an increase in demand for adult social care services in particular for working age adults; a significant increase in the cost of providing educational transport which was necessary to meet statutory and policy requirements in the context of challenging market conditions; a cost pressure in the highways maintenance budget arising from the loss of part of the government grant for this service; To help counteract these cost pressures a range of efficiency savings were implemented across all service areas including “smarter working” savings arising from hybrid home / office working in many areas. There were also savings anticipated in the area of educational transport with a programme of transformation underway to help counteract the cost pressures. These reductions in the budget totalled £4.818m

To give a flavour of what we have been doing over the 2022/23 financial year, some key outcomes and activities are summarised below.

The year was dominated by the high levels of inflation in the UK, which impacted on us. Consumer Prices Index inflation rose by 8.9% in the 12 months to March 2023, but fortunately we had anticipated the issue when the 2022/23 budget was set and we more than doubled our contingency budget to help cover inflationary increases. We also set aside more than usual to cover pay awards for our staff during the year with the expectation that these would be higher than in recent years, which they were. In addition to the extra funds provided in the budget, we allocated over £2m of the 2021/22 budget underspend to support our contingency budget to help deal with inflation pressures. We are pleased that over the course of the year we were able to contain our spending within the total budget set, although this total budget was around 8% higher than the 2021/22 budget was.



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Inflation levels impacted on communities and businesses in Lincolnshire too, with the media dubbing it a “cost of living crisis”. The government’s package of measures announced during the year to support households and businesses with the soaring cost of energy bills was welcomed by the Council. Lincolnshire Fire and Rescue Service recognised that households attempting to save money on heating may inadvertently increase the risk of fire, so provided advice to the public on this issue.

The government’s Homes for Ukraine scheme was launched just before the year started, and during the year we welcomed around 1,200 Ukrainian people into the county to live with their host families. Some of these Ukrainian people are now living independently. Through our Connect to Support service, we were able to provide information and advice for Ukrainian guests and their hosts, and Ukrainian children have been attending schools in Lincolnshire. We received £14.533m of government grant to support the scheme, and in the year spent £4.860m of this, with the remaining grant carried forward to 2023/24 to support the scheme next year.

A remodelled “Lincolnshire Carers Service” successfully launched in October, with carers able to self-refer online to access support. The number of carers that we have supported has increased by 3.8% to 11,844 carers of adults who were supported over the space of a year, and this figure includes 2,234 young carers.

The Lincolnshire Integrated Care Partnership was established in the year, following the requirements of the Health and Care Act 2022, and with a vision of “for the people of Lincolnshire to have the best possible start in life and be supported to live, age and die well”. Further information about this is included in the Annual Governance Statement on page 226.

We have been dealing with shortages of Social Workers for children and have been running a social work apprenticeship scheme in conjunction with the government’s “Step Up to Social Work” programme. During the year, our first batch of social work apprentices successfully completed their degrees on the government programme and all 10 secured permanent positions working in our frontline teams supporting children. Another 15 apprentices are currently working through the scheme.

During the year we made good progress on building Robin House, which is the new children’s home in Lincoln, and we received planning permission for a second new children’s home in Louth.

The Lincolnshire youth offending service was visited by HM Inspectorate of Probation in the year. The service is part of our Future4Me team, which supports young people who may be at risk of being in the criminal justice system and / or committing crimes. The result of this visit was that the service was rated as “outstanding” and demonstrated high quality practice

# NARRATIVE REPORT

and an in-depth understanding of the issues and challenges faced by the children involved with the service.

We continued to deliver against our carbon emissions targets and have reduced carbon emissions by 68% compared to the baseline established in 1990. This vital work will continue.

Our ambitious road construction programme continued in the year with phase two of the Grantham Southern Relief Road scheme opening. Phase three of this scheme has started but there are complexities and challenges, resulting in an approximate eighteen-month delay and cost increases in excess of £15m. Completion is now expected in 2025. The North Hykeham Relief Road scheme is in its early stages but a Design and Build contractor was appointed in the year and public engagements events were held in September 2022. Works are expected to start in late 2025.

One of our household waste recycling centres was replaced with a new, modern facility, which opened in the year, after a £2m investment. We submitted a successful joint bid for government funding, with four other councils and Midlands Connect, to buy and set up more on-street electric vehicle chargers. This will deliver 101 standard and 8 rapid charging points across Lincolnshire.

We were very pleased that our Investigate Learning team at Lincoln Castle achieved the Sandford Award in the year for its work with school and college learners. During the year around 8,000 pupils and students visited the castle to learn about its history. Alongside this, Lincoln Castle, The Collection and Usher Art Gallery won a Visit England Welcome Accolade, recognising the high quality of visitor experience that these attractions offer.

In March and April 2021, Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) conducted an inspection of Lincolnshire Fire and Rescue Service. Two causes for concern were identified: not enough action had been taken since the last inspection to resource our Fire Protection function appropriately, and not enough had been done to improve equality, diversity and inclusion within the service. HMICFRS revisited the Service in February and March 2022, and again in November 2022 to assess our progress in improving the areas highlighted. Their findings concluded that Lincolnshire Fire and Rescue has made good progress against both of the elements which had been highlighted. The cause for concern relating to Fire Protection has been discharged, and the cause for concern relating to equality, diversity and inclusion will be revisited in the next full inspection in 2023.

Towards the end of the year, in February 2023, there was a devastating earthquake in Turkey. Lincolnshire Fire and Rescue sent four fire officers and one search and rescue dog to join the UK International Search and Rescue team, helping to search buildings and locate and rescue survivors.

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The Annual Governance Statement includes more detail about some of the Council's activities during the year.

The Council owns five subsidiary companies: Transport Connect Limited, Lincolnshire Future Limited, Lincolnshire County Property Limited, Legal Services Lincolnshire (Trading) Limited and EMPSN Infrastructure Limited. Information about the financial performance of Transport Connect Limited is shown in note 40 Related Parties. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited – neither of these two companies had started trading by 31st March 2023. Legal Services Lincolnshire (Trading) Limited was created in 2020 and has now received a licence to trade from the Solicitor's Regulation Authority but had not begun trading by 31st March 2023. The Code of Practice requires Councils to consider the need to prepare accounts on a group basis. This assessment has been carried out and the result is that these accounts have been prepared on the single entity basis as the subsidiary companies' financial performance and position is not material in the context of the Council's accounts.

During the year two schools transferred out of the Council's control to academy status.

We have determined that there are no material adjusting or non-adjusting events after the reporting period.

## Governance and Risk (General).

Good governance for us means achieving the outcomes we intend, whilst acting in the public interest at all times. We have a governance framework which ensures that our business is carried out in a legal and proper way, and we review this framework every year to see if improvements need to be made to any aspects of it.

The Council's Annual Governance Statement is included within this Statement of Accounts and starts on page 213. The opinion of the Head of Internal Audit is that for the year ended 31 March 2023, we are "performing well" in the areas of Governance, Risk and Financial Control, and we are "performing adequately" in the area of Internal Control.

The Strategic Risk Register is also set out in the Annual Governance Statement and can be seen on page 242. The Strategic Risk Register is regularly reviewed, and risks are being effectively managed. There are thirteen risks included, with one assessed as high risk, with limited assurance. This is:

- the risk of a successful cyber-attack against us resulting in a significant or critical impact. Cyber security is an inherently high-risk area with an improving direction of travel but assurance is still limited.

The Annual Governance Statement confirms this year that no significant governance issues have been identified.

# NARRATIVE REPORT

The Council's Audit Committee's role is to oversee and promote good governance, ensure accountability and review the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.

## Look to the Future

### Economic Climate.

Lincolnshire County Council set a one-year detailed budget for 2022/23 which was aligned to the one-year financial settlement from the government. Alongside this, we prepared a three-year budget plan up to 2025/26, using reasonable assumptions to estimate our likely financial position over this period. For several years, the government has deferred two funding reforms, which would be expected to change the way government funding is distributed to all types of councils across the country. There is currently no date planned for the implementation of these funding reforms, which leaves us exposed to significant uncertainty over future funding levels, especially beyond 2024/25.

Government plans for public spending and how this will be financed reflect the size of the UK economy. Economic forecasts are projecting a smaller economy than had previously been expected, together with higher costs either due to high inflation or higher interest rates. The Chancellor's Autumn Statement 2022 showed that long term, the government's plan is to grow public spending at a lower rate than the economy grows. This means that we must plan for lower increases in funding compared to what has been seen in recent years.

This does result in a potential risk to the Council's ability to continue to deliver services into the future which could impact on vulnerable members of our communities, and this risk (described as "funding and maintaining financial resilience") is included in the Council's strategic risk register set out in the Annual Governance Statement on page 242. This risk is "amber" rated but we have determined that the risk is well-managed, and the level of assurance is "substantial". Inflation risk is also included in the Council's strategic risk register and is "red" rated, but again with a "substantial" level of assurance, which reflects the work undertaken by the Council to mitigate the impacts of inflationary pressures.

Our view on the Council's overall financial resilience is shown in the section below on page 21.

### Other Matters.

Towards the end of the year, the Council was invited by the government to enter into negotiations for a devolution deal for Greater Lincolnshire. This will be a key focus for the Council in 2023/24.

# NARRATIVE REPORT

## Our Financial Resilience.

A further iteration of the local authority Financial Resilience Index was published by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the year. This is a measure of councils' ability to withstand unexpected financial shocks.

This version of the index used data from the 2021/22 financial year and once again showed a relatively positive picture for us. There were three indicators where our relative risk (compared to other similar councils) had increased since the 2020/21 report. We are deemed as having a higher relative risk because our level of our usable reserves has changed in comparison to other Councils. Our own analysis of our usable reserves between 2017/18 and 2022/23 shows that over this period total reserves have increased by 21%, although in 2021/22 and 2022/23 the total has reduced by 6% and 4% respectively. The reduction reflects the planned use of earmarked reserves to support expenditure in those two years, including supporting business to cope with the impacts of Covid-19, and increased spending on highways maintenance following the withdrawal of government grant. We are also deemed as having a higher relative risk because the ratio of fees and charges as a proportion of net service expenditure has reduced compared to other similar councils. We do have a relatively low level of fees and charges income and found that during the coronavirus pandemic this was a benefit as the loss of fees and charges income had a smaller impact on us compared to those Councils which are heavily reliant on high levels of such income. The latest resilience index also shows a marginally increased risk due to Council Tax as a proportion of net revenue expenditure reducing. Overall, we do not believe that these indicator results represent a threat to our financial resilience, as our overall level of reserves remains relatively high, and our risk is shown as reduced for three other indicators, and unchanged for two indicators.

The reserves we hold, referred to above, are available to support our budget over the medium term, if required, whilst we await news of our future finance settlements from the government. We hold an adequate level of general reserves (£16.400m), as well as a Financial Volatility earmarked reserve (£46.921m) which can support us in transitioning towards a lower base budget over the medium term. We have a healthy short-term investments position which is shown in the Balance Sheet on page 29. Our budget for 2022/23 required a contribution from reserves of £2.304m in order to balance, but this is because we chose to invest an additional £7.000m in highways maintenance in the year. We budgeted for savings / growth in income of £4.818m and these have been achieved in the year.

We commissioned an external review to provide an independent assessment of our financial management arrangements against the standards published by CIPFA. This review has confirmed that the Council is operating in line with the requirements across all the criteria regarding the substance of the arrangements and the spirit in which they are intended. The

# NARRATIVE REPORT

review also identified areas of good practice and confirmed our own assessment of areas for continued improvement, which will be implemented over the next period.

The Council remains generally in a sound financial position relative to many other councils over the short term. This is because of continued sound financial management and adequate earmarked reserves to support the continued volatility of funding, emerging cost pressures and demand on our services. The Council constantly monitors its longer-term financial position and our medium-term Financial Strategy includes a Medium-Term Financial Plan (MTFP) which forecasts our financial position over four years to March 2027. Inflationary, and other cost increases in the capital programmes, may impact on how much can be delivered or the speed of delivery. Future years of the plan consider known cost pressures, planned savings and use of reserves to produce a balanced budget. The MTFP predicts a budget shortfall and modest use of reserves over the period of the MTFP.

## Lincolnshire Pension Fund

### About Lincolnshire Pension Fund.

The Lincolnshire Pension Fund is part of the Local Government Pension Scheme. It is a contributory defined benefits scheme which provides pensions, and other benefits, to eligible employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other bodies (including: Academy Schools and Internal Drainage Boards) within the county. Its purpose is to ensure that benefits are paid to entitled members when they are due.

At 31 March 2023 the Fund had 256 contributing employer organisations and just over 79,500 members. This is made up of 26,691 active contributing members, 25,651 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 27,231 pensioners.

Further details on the Fund can be found at Note 1 to the Pension Fund Accounts (page 159-161) and in the Pension Fund Annual Report.

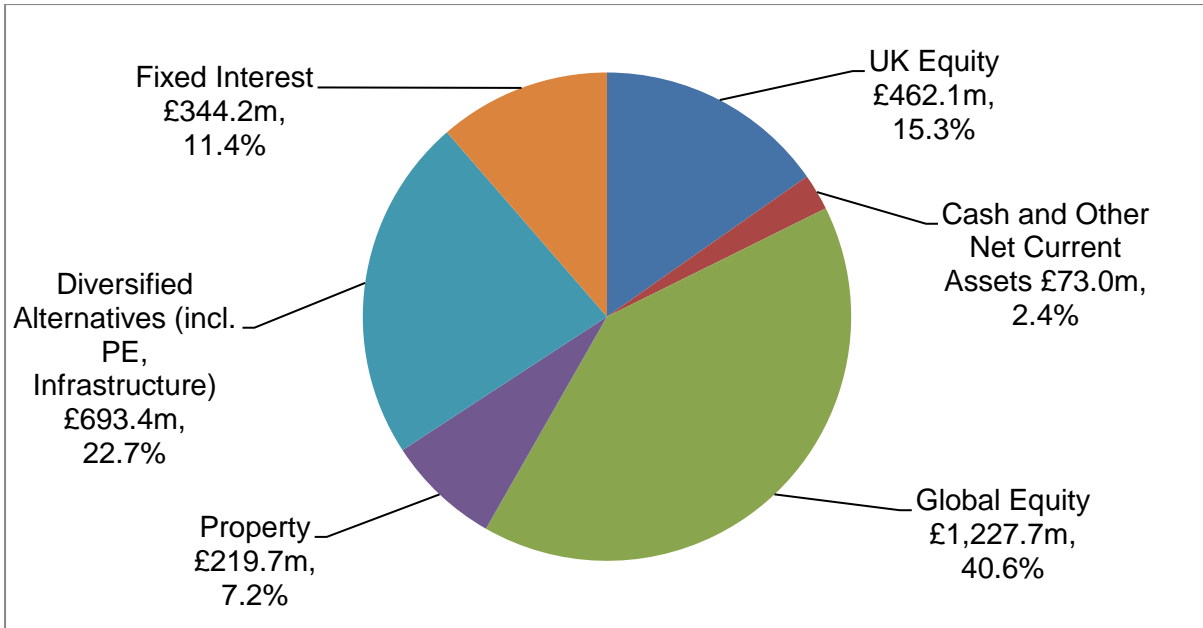
### Financial Highlights.

There are two core financial statements within the Pension Fund Statement of Accounts, these provide a summary of financial activity during the year and the financial position at the end of the year. These statements can be found on page 159. These statements are supported by a set of disclosure notes which provide more detail on the Fund's financial transactions and net assets.

### Investment Assets.

The following pie chart sets out the assets held by the Pension Fund at 31 March 2023:

# NARRATIVE REPORT



During the year to 31 March 2023 the Fund investment assets have decreased in value by £19.4m to £3,033.6m. The overall investment return for the year was (0.77%), this was ahead of the Fund's specific benchmark return of (0.96%).

As at 31 March 2023 the Fund had 52.5% of assets invested with Border to Coast in four sub-funds: UK equities, global equities, investment grade credit and multi-asset credit. This compares to 51.2% invested at 31 March 2022, and shows the positive direction of travel. Further detail on this can be found at Note 12C of the Pension Fund Accounts and the Pension Fund Annual Report.

## In year Income and Expenditure.

The table below sets out the income and expenditure incurred by the Fund during 2022/23:

2021/22 £000's		2022/23 £000's
(128,578)	Contributions (inc transfers in)	(145,157)
107,605	Benefits (inc transfers out)	114,524
(20,973)	Net (additions)/withdrawals from dealings with Fund members	(30,633)
14,191	Management Expenses	13,745
(286,596)	Return on Investments	27,521
(293,378)	Net (increase)/ decrease in Net Assets available to pay benefits	10,633

During 2022/23 the Fund was cashflow positive, with contributions received exceeding benefits paid. 80% of contributions received by the Fund came from employers (see Pension Fund Note 6 for further details). Benefits payable have increased from 2021/22 as the number of pensioners has increased, and pensions saw an uplift of 3.1% for 2022/23.



# NARRATIVE REPORT

The return on investments reflects the reduction in asset value from the year. This is made up of a loss on the value of investment (£20.4m) and a loss on forward foreign exchange contracts (£30.1m); this was partially offset by investment income of £15.2m.

The Fund saw a small reduction in management expenses, this is mainly due to the increasing number of assets being held with the pooling company.

## Funding Arrangements.

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2022. The results for the Fund at this date were: fund assets had a market value of £3,071m and overall, the funding level was 101% (i.e. the value of assets was slightly more than the amount required to pay the benefits which had been accrued at this date).

Therefore, the Fund had a small surplus of £18m. The Fund's actuary has reassessed the position at the end of 2022/23 and believes that the overall funding position remains at similar levels.

## Performance and Outcomes.

The Pension Fund's overarching objectives are:

- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise.
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on prudent long term funding priorities, given the preference to keep employer contribution rates reasonably stable where appropriate; and
- **Administration and Communications:** In partnership with West Yorkshire Pension Fund (WYPF), to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate, and timely communication and support to all stakeholders.

To ensure the Pension Fund is achieving its overarching objectives:

- The pensions administration service, provided by WYPF in a shared service, is monitored and reported to the Pensions Committee and Board on a quarterly basis. During 2022/23 there have been no areas of concern arising in this area.
- Employer compliance with regulations (paying member contributions and submitting member data) is also reported to the Pensions Committee and Board on a quarterly basis. Where employers fall short of expected standards, the Fund actively manages this through assistance and education.



# NARRATIVE REPORT

Investment performance of the assets held by the Fund is also report and monitored by the Pensions Committee on a quarterly basis. There have been no concerns regarding manager performance during 2022/23.

## Governance and Risk.

Governance and risk management is an integral element of managing the Pension Fund. The Fund's governance and risk arrangements include:

- Publishing a Governance Compliance Statement as part of the Pension Fund Annual Report. This details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Department for Levelling Up, Housing and Communities (DLUHC).
- Managing Fund investments in accordance with the published Investment Strategy Statement (ISS); and
- Maintaining a Pension Fund specific risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting of the Committee.

## Links to Further Information.

Hyperlink to the [Review of Financial Performance 2022/23](#) report.

Hyperlink to the [Corporate Plan and related Performance Data](#).

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities are to:

- Make arrangements for the proper administration of Lincolnshire County Council's and Lincolnshire Pension Fund's financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive & Executive Director of Resources.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Signed: Councillor Rawlins

Dated: 20 December 2023

The Deputy Chief Executive & Executive Director of Resources is responsible for the preparation of the Authority's Statement of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Deputy Chief Executive & Executive Director of Resources has:

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

The Deputy Chief Executive & Executive Director of Resources has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- certified that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31<sup>st</sup> March 2023 and of its expenditure and income for the year ended on that date.

Signed: Andrew Crookham

Dated: 20 December 2023

# COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 1 APRIL 2022 TO 31 MARCH 2023

2021/22				Note	2022/23		
Gross Expenditure Restated *1	Gross Income Restated *1	Net Expenditure Restated *1			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			Cost of Services				
188,572	(45,134)	143,438	Children's Services		155,064	(53,606)	101,458
348,947	(188,294)	160,653	Adult Care and Community Wellbeing		373,707	(213,725)	159,982
178,498	(27,265)	151,233	Place		224,896	(33,397)	191,499
28,795	(2,113)	26,682	Fire & Rescue and Community Safety		29,621	(2,031)	27,590
93,977	(6,667)	87,310	Resources		88,139	(5,126)	83,013
0	0	0	Commercial		0	0	0
3,060	(84)	2,976	Corporate Services		3,200	(128)	3,072
2,455	(2,199)	256	Other Budgets		5,902	(891)	5,011
352,247	(305,509)	46,738	Schools Budgets		365,625	(327,724)	37,901
<b>1,196,551</b>	<b>(577,265)</b>	<b>619,286</b>	<b>Cost of Services</b>		<b>1,246,154</b>	<b>(636,628)</b>	<b>609,526</b>
16,432	0	16,432	Other Operating Expenditure	(6)	5,895	0	5,895
36,331	(3,235)	33,096	Financing and Investment Income and Expenditure	(7)	22,241	(8,831)	13,410
0	(612,688)	(612,688)	Taxation and Non-Specific Grant Income	(8)	0	(645,279)	(645,279)
<b>1,249,314</b>	<b>(1,193,188)</b>	<b>56,126</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,274,290</b>	<b>(1,290,737)</b>	<b>(16,447)</b>
		(91,270)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(13)			(64,761)
		(62)	(Surplus)/Deficit from Investments in Equity Instruments designated at Fair Value Through Other Comprehensive Income				(227)
		(274,240)	Remeasurement of the Net Defined Benefit Liability/(Asset)	(13)			(611,878)
		(84)	Other Recognisable (Gains)/Losses				(72)
		<b>(365,657)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(676,938)</b>
		<b>(309,531)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(693,385)</b>

\*1 The Commercial Directorate was merged into the Resources Directorate in 2022/23 and prior year comparative figures have been rested to reflect this.

Brackets have been used in the above table to represent income or surpluses.

# MOVEMENT IN RESERVES STATEMENT 1 APRIL 2022 TO 31 MARCH 2023

	Note	Total Usable Reserves					Total Usable Reserves (Note 12)	Unusable Reserves (Note 13)	Total Council Reserves
		General Fund Balance	Schools Reserves	Earmarked GF Reserves (Note 14)	Capital Receipts Reserve	Capital Grants Unapplied			
		£'000	£'000	£'000	£'000	£'000			
2022/23									
Balance as at 1 April 2022		16,400	26,553	217,713	0	71,792	332,459	88,315	420,774
Total Comprehensive Income and Expenditure		16,447	0	72	0	0	16,519	676,866	693,385
Adjustments between accounting basis and funding basis under regulations	(11)	(22,668)	0	0	0	(2,519)	(25,187)	25,187	0
Contribution to/(from) Earmarked Reserves		6,219	2,595	(8,814)	0	0	0	0	0
Increase/(Decrease) in Year 2022/23		0	2,595	(8,742)	0	(2,519)	(8,668)	702,053	693,385
Balance as at 31 March 2023 Carried Forward		16,400	29,148	208,971	0	69,273	323,791	790,368	1,114,159
	Note	Total Usable Reserves					Total Usable Reserves (Note 12)	Unusable Reserves (Note 13)	Total Council Reserves
		General Fund Balance	Schools Reserves	Earmarked GF Reserves (Note 14)	Capital Receipts Reserve	Capital Grants Unapplied			
		£'000	£'000	£'000	£'000	£'000			
2021/22									
Balance as at 1 April 2021		16,200	26,115	231,245	5,905	86,730	366,194	(254,951)	111,244
Total Comprehensive Income and Expenditure		(56,126)	0	84	0	0	(56,042)	365,572	309,531
Adjustments between accounting basis and funding basis under regulations	(11)	43,150	0	0	(5,905)	(14,938)	22,307	(22,307)	0
Contribution to/(from) Earmarked Reserves		13,178	438	(13,616)	0	0	0	0	0
Increase/(Decrease) in Year 2021/22		200	438	(13,532)	(5,905)	(14,938)	(33,735)	343,265	309,531
Balance as at 31 March 2022 Carried Forward		16,400	26,553	217,713	0	71,792	332,459	88,315	420,774

N.B. The Council does not have a balance in the Capital Receipts Reserve in 2022/23 as it is the Council's policy to fully utilise all capital receipts to finance capital in the year they are received.

# BALANCE SHEET AS AT 31 MARCH 2023

31 March 2022			31 March 2023
£'000		Note	£'000
1,429,227	Property, Plant and Equipment	(15)	1,551,806
67,219	Heritage Assets	(16)	67,351
108,718	Investment Property	(17)	114,869
4,248	Intangible Assets	(18)	3,221
7,677	Long Term Investments	(19)	1,260
2,690	Long Term Debtors	(20)	3,112
1,619,778	Long Term Assets		1,741,619
281,352	Short Term Investments	(19)	245,446
2,285	Assets Held for Sale	(21)	2,005
1,040	Inventories		1,013
74,030	Short Term Debtors	(20)	95,017
358,707	Current Assets		343,481
(68,762)	Cash and Cash Equivalents	(22)	(99,242)
(12,244)	Short Term Borrowing	(19)	(14,170)
(120,382)	Short Term Creditors	(23)	(110,006)
(7,518)	Short Term Provisions	(24)	(4,471)
(208,907)	Current Liabilities		(227,889)
(3,221)	Long Term Creditors	(23)	(4,326)
(1,959)	Long Term Provisions	(24)	(4,604)
(468,806)	Long Term Borrowing	(19)	(458,447)
(874,817)	Other Long Term Liabilities	(25)	(275,673)
(1,348,803)	Long Term Liabilities		(743,050)
420,774	Net Assets		1,114,161
332,459	Usable Reserves	(12)	323,793
88,315	Unusable Reserves	(13)	790,368
420,774	Total Reserves		1,114,161

# CASH FLOW STATEMENT AS AT 31 MARCH 2023

2021/22			2022/23
£'000		Note	£'000
56,126	Net (surplus) or deficit on the provision of services		(16,447)
(153,325)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(67,183)
89,737	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		93,326
(7,462)	Net cash flow from Operating Activities	30	9,696
(20,809)	Investing Activities	31	11,466
12,002	Financing Activities	32	9,318
(16,269)	Net (increase) or decrease in cash and cash equivalents		30,480
(85,031)	Cash and cash equivalents as at 1 April	22	(68,762)
(68,762)	Cash and cash equivalents as at 31 March		(99,242)

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE CORE FINANCIAL STATEMENTS

Due to rounding figures to the nearest £000, some figures shown within the following notes may slightly differ when compared to the main Financial Statements or other Notes to the Accounts. The difference in rounding would not be in excess of £5,000 in any single case.

### NOTE 1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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The Council is required to disclose information relating to the impact of changes in accounting standards on the financial statements as a result of new standards that have been issued but are not yet required to be adopted.

In the 2022/23 accounts, the Council is required to disclose the following changes to Accounting Standards which may have an impact on the Council's accounts in 2023/24. The following standards are likely to be effective for Local Authorities for the 2023/24 financial year:

#### IAS 8 Accounting Policies, Changes in accounting estimates and errors

This standard has been changed to clarify the definition of Accounting Estimates as "monetary amounts in financial statements that are subject to measurement uncertainty".

The Council uses Accounting Estimates for its accounts as some areas of the financial statements need to be measured in a way that involves measurement uncertainty. These assumptions are disclosed within Note 3 Assumptions made about the future and other major sources of estimation uncertainty. This change in standard will lead to improved reporting and is not expected to have a significant impact on the amounts the Council already discloses in these Financial Statements.

#### IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

The amendments to IAS 1 requires entities to disclose their material accounting policy information to provide more useful information to the primary users of the financial statements. IFRS Practice Statement 2 provides guidance on how to apply the concept of materiality to accounting policy disclosures. These changes in standards will lead to improved reporting and is not expected to have a significant impact on the accounting policies the Council already discloses in these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## IAS 12 Income Taxes

Following the amendment to this standard, entities are required to recognise the related deferred tax asset and liability which was previously considered to be an initial recognition exemption. Entities must now recognise deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences.

This standard will impact on Local Authorities that produce Group Accounts which include entities that are subject to corporation or income tax. The Council considers its position concerning Group Accounts on an annual basis and has determined that the Council's interest in other companies does not trigger the need to produce Group Accounts. If the Council's interests were to become material enough to warrant the need for Group Accounts, then this standard could apply.

## IFRS 3 Business Combinations

This standard outlines the accounting treatment when an entity obtains control of a business through an acquisition or merger and requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. The standard has been changed to fully reflect the 2018 Conceptual Framework.

As the Council is unlikely to acquire or merge with a business this amendment to the standard is very unlikely to have an impact.

## NOTE 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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In applying the accounting policies set out in Note 43, 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 include:

### Economic climate

The UK economy has continued to be adversely affected by increasing interest rates and unprecedented increases to the rate of inflation during 2022/23 and the expectation that these rates will remain higher for longer. If this forecast is true, it will have implications for the cost of providing services across the whole of the Council in future years. To help manage these cost increases more efficiently, the Council has increased base budget funding for those areas affected across its medium-term financial plan but is still forecasting budget deficits in future years which have to be addressed once there is more certainty following the Government's funding reforms. Although this is an area of concern, the



# NOTES TO THE FINANCIAL STATEMENTS

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forecast budget deficits within the medium-term financial plan represent less than 1% of the budget requirement in each future year and are therefore expected to be manageable without there needing to be very significant impacts on future service provision, or on the assets owned by the Council.

## Government Funding

The Government announced another single year Local Government Finance Settlement which covered 2023/24. Whilst the Government have set out plans for 2024/25, there is still a high degree of uncertainty about future levels of funding for local government beyond this point, as circumstances and assumptions can quickly change. The Council has determined that this uncertainty is not immediate enough to indicate which assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## Funding for Covid-19

During 2022/23 the Council has continued to receive various Covid 19 ring-fenced government grants. These ringfenced grants have been accounted for within the net cost of services in the Comprehensive Income and Expenditure Statement (CI&ES), to offset expenditure relating to these grants.

Ringfenced grants were also assessed to determine whether the Council is an agent or principal by reference to the terms and conditions of the grant. Where the Council was assessed to be acting as principal, all transactions have been included in the CI&ES. Where the Council was assessed to be acting as agent, expenditure and grant income have not been included in the CI&ES.

All unspent covid grants were assessed as to whether there was a condition of the grant that gives right to reimbursement. If there was, the portion of the unspent grant which could be reimbursed to the government was treated as a creditor within the balance sheet at the end of the year. For those grants assessed to have no conditions attached, the unspent element of grants were accounted for within revenue grants and contributions earmarked reserves. Details of the Council's Covid funding and expenditure can be found in Note 4 Material items of Income and Expenditure.

## PFI Contract- Focus Education Lincolnshire

The Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the property, plant and equipment assets associated with these schools, plus

# NOTES TO THE FINANCIAL STATEMENTS

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the outstanding liability for the PFI finance lease have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in Note 26 Private Finance Initiatives (PFI) and Similar Contracts.

## Energy from Waste Plant

The Council has an Energy from Waste Plant which is operated through a contract with a third party. There are elements of the Energy from Waste contract that meet the definition of a service concession arrangement in that the contract is design, build and operate. However, the land, building and equipment assets associated with the plant have been purchased outright by the Council (and financed through Prudential Borrowing), as such these have been recognised as assets of the Council's in the balance sheet.

## School Assets

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criterion to be met, and therefore these assets are included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

## Classification of Leases

The Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis to determine whether they meet the indicators set out in IAS 17 Leases. The Council has set certain criteria for these indicators which have to be met for the lease to be considered as a finance lease. Details of all leases held by the Council are set out in Note 27 Leases.

The Council is currently working on adopting the IFRS 16 Leasing standard and expects to achieve this by the mandatory deadline of 1st April 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contain a number of estimated figures that are based on assumptions made by the Council, about the future or where there is a degree of uncertainty about outcomes. Estimates made take into account: historical experience, current trends, and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates included in the Statement of Accounts.

The Council's Balance Sheet as at 31 March 2023 contains the following entries, for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (PPE)	<p>Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and future restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future.</p> <p>During derecognition the value of the replacement is used as a proxy to index back to original cost. This will lead to changes in asset values, thereby affecting the depreciation charges in the future.</p>	<p>Changes to asset value and lives, will have an effect on the annual depreciation charge for use of assets charged to services in the CI&amp;ES. The annual depreciation charge for PPE in 2022/23 is £91.727m (2021/22 was £83.674m) and the gross book value of these assets is £2,043.435m (2021/22 £1,888.720m). The asset life has an inverse effect with depreciation charge. The lower the asset life the higher the depreciation charge and the higher the asset life the lower the depreciation charge.</p> <p>The accounting policies in Note 43 and Note 15 Property, Plant and Equipment, detail the current policy on valuation methods, the significant assumptions used in estimating the current value of PPE, asset lives, depreciation and derecognition applied by the Council.</p>

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (PPE) - continued		<p>Land and Buildings are revalued on a five-year rolling programme, so approximately one fifth of properties are revalued in every year. If the valuations carried out in 2022/23 had resulted in values which were 1% different from the actual results, then the impact would have been a change to the total gross book value of those properties of £1,065.051m.</p> <p>If the remaining useful lives of all PPE assets were reduced by one year, then the depreciation charge for the year would have been £16.255m higher than the actual depreciation charge.</p>
Pensionsex	<p>The Council's accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used.</p> <p>Formal actuarial valuations are carried out every three years, where the assets and liabilities are calculated on a detailed basis, using individual member data for cash contribution setting purposes. The last formal valuation for the Firefighters Pension Schemes was on 31 March 2021 and the last formal valuation of the Local Government Pension Scheme was on 31 March 2022. The balance sheet position as at 31 March 2023 and the projected charge to the CI&amp;ES for 2023/24, are therefore based on data rolled forward from the most recent formal valuations.</p>	<p>Changes to the actuaries' assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. For 2022/23 the Council's actuaries advised that the net pension liability decreased to £268.742m (2021/22 £867.001m). Details of the pension fund liabilities are set out in Note 29 Defined Benefit Pension Schemes.</p> <p>The data used as a basis for valuing the pension liabilities will be largely consistent with the data used last year as the roll forward approach has been taken. The most recent valuation of the Local Government Pension Scheme was one year ago, but there may be a "step change" in the liability value of the Firefighters Pension Schemes when formal revaluations are next carried out.</p> <p>Part D of Note 29 Defined Benefit Pensions Schemes describes the methods of estimation and the principal assumptions used. Part e of this note describes the impacts that a change in assumptions would have on the valuation of the pension liability.</p>

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions - continued	<p>The valuation of pension assets and liabilities result from assumptions that in effect estimate investment returns and future demographic factors many years into the future, which means that there is inevitably a great deal of uncertainty inherent with such projections.</p>	
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cashflow model or independent appraisal of company valuations).</p> <p>Where Level 1 input is not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example the investment properties, the Council's Valuer).</p>	<p>The Council uses market value and term and reversion approach to measure the fair value of some of its investment properties.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent that any tenant/s is/are capable of meeting its/their obligations, and that there are no rent arrears or undisclosed breaches of covenant. Significant changes in the unobservable inputs would result in a significantly lower fair value measurement for the investment properties.</p> <p>Part D of Note 17 Investment Properties describes the significant assumptions used in estimating the current value of Investment properties.</p> <p>Part C of Note 19 Financial Instruments and the nature and extent of risks arising from financial instruments describes the valuation techniques used for financial instruments in more detail. Part D of this note describes how expected credit losses are calculated, and the Council's exposure to credit risk in respect of financial assets. Other risks which could affect the future value of financial assets, are also set out in this section.</p>

# NOTES TO THE FINANCIAL STATEMENTS

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Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements - continued	The Council has shareholdings in companies and these are measured using Level 3 inputs due to lack of information in active markets. The fair value has been measured using the discounted cashflow - enterprise approach. This uses discount rates derived from the financial information available from these companies. Other assumptions used are based on most recent available financial statements of these companies and other information known at the time.	Significant changes in the unobservable inputs would result in difference in the fair value of these shareholdings. However, this is not considered to be materially significant due to the current financial position of these companies and the level of the Council's interest in these companies.

## NOTE 4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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The Council is required to disclose any material amounts of income or expenditure which are not disclosed on the face of the Comprehensive Income and Expenditure Statement or in other supporting notes to the accounts.

### Covid-19

In 2022/23 expenditure relating to the coronavirus pandemic (Covid-19) remained a material sum, together with its related income.

The Council continued to receive a number of ringfenced Covid-19 government grants for which it acted as principal and was able to make decisions about how the grants were spent in accordance with the terms of the grants. The table below shows the grant received for each grant in 2022/23 and the expenditure covered by each grant. Usable reserves carried forward from 2021/22 have been used to cover when costs have exceeded the grants received in year.

# NOTES TO THE FINANCIAL STATEMENTS

	Grant Income 2022/23	Expenditure 2022/23
Catch Up Funding	0	961
Devices and Connectivity Funding	0	5
Exam Assessment Funding	0	1
School Led Tutoring	(848)	1,037
Schools Recovery Premium	(1,532)	1,458
Schools Senior Mental Health Leads	(38)	47
Additional Home to School Transport	91	0
Household support Grant	(14,789)	14,789
Holiday Activities and Food (HAF) Programme	(1,781)	2,644
Outbreak Management	0	2,415
Practical Support Grant	26	0
<b>Total</b>	<b>(18,871)</b>	<b>23,357</b>

The income and expenditure for grants where the Council have acted as agent is excluded from the Comprehensive Income and Expenditure Statement. The Council received no ringfenced Covid-19 government grants in 2022/23 for which it acted as agent. Any unspent amounts from these grants that were carried forward to 2022/23 within short term creditors from 2021/22 have been repaid in year.

The table below shows the Covid-19 amounts of expenditure, government grants and reimbursements which are included in the Comprehensive Income and Expenditure Statement on page 27.

# NOTES TO THE FINANCIAL STATEMENTS

## Covid- 19 Expenditure and Income in the Comprehensive Income and Expenditure Statement

2021/22			Service Areas	2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
16,499	(10,782)	5,717	Children's Services	17,432	(16,479)	953
15,034	(9,013)	6,020	Adult Care and Community Wellbeing	2,415	26	2,441
571	(173)	398	Place	0	0	0
368	0	368	Fire & Rescue and Community Safety	0	0	0
2,875	0	2,875	Commercial	0	0	0
8,468	0	8,468	Other Budgets	0	0	0
1,639	(2,254)	(615)	Schools Budgets	3,509	(2,418)	1,091
45,454	(22,221)	23,232	Cost of Services	23,357	(18,871)	4,486
0	(15,577)	(15,577)	Taxation and Non-Specific Grant Income and Expenditure			0
		7,655	(Surplus) or Deficit on Provision of Services			4,486
		<u>7,655</u>	Total Comprehensive Income and Expenditure			<u>4,486</u>



# NOTES TO THE FINANCIAL STATEMENTS

Short term debtors on the Balance Sheet of £0.403m represents the amount of grant due to be received from the government to cover costs in 2022/23. Usable reserves carried forward from 2021/22 have been used to fund where costs have exceeded grant received, with any unspent grant being carried forward to 2023/24 to help meet continuing costs.

## Covid- 19 Assets and Liabilities in the Balance Sheet

31 March 2022			31 March 2023
£'000		Note	£'000
0	Long Term Assets		0
(196)	Short Term Debtors	(19)	403
(196)	Current Assets		403
(1,276)	Short Term Creditors	(23)	0
(1,276)	Current Liabilities		0
0	Long Term Liabilities		0
(1,472)	Net Assets		403
(5,844)	Usable Reserves	(12)	(3,541)
0	Unusable Reserves	(13)	0
(5,844)	Total Reserves		(3,541)

## Homes for Ukraine

Lincolnshire is one of many areas across the UK to have signed up to the Homes for Ukraine scheme since its launch in March 2022. The Council has received funding to help support Ukrainians to secure accommodation across the county. The table below shows the grant received in 2022/23 and the corresponding expenditure covered.

	Grant Income 2022/23	Expenditure 2022/23
Supporting Evacuees	(12,338)	3,077
Children Support	(2,195)	1,783
Total	(14,533)	4,860

The table below shows the Homes for Ukraine amounts of expenditure, government grants and reimbursements which are included in the Comprehensive Income and Expenditure Statement on page 27.

# NOTES TO THE FINANCIAL STATEMENTS

## Homes for Ukraine Expenditure and Income in the Comprehensive Income and Expenditure Statement

2021-22				2022-23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	Service Areas			
0	0	0	Children's Services	1,783	(2,195)	(412)
0	0	0	Adult Care and Community Wellbeing	3,077	(12,338)	(9,261)
0	0	0	Cost of Services	4,860	(14,533)	(9,673)
		0	(Surplus) or Deficit on Provision of Services			(9,673)
		0	Total Comprehensive Income and Expenditure			(9,673)

Any unspent grant has been carried forward to 2023/24 via Usable Reserves to help meet continuing costs.

## Homes for Ukraine Assets and Liabilities in the Balance Sheet

31 March 2022			31 March 2023
£'000		Note	£'000
0	Long Term Assets		0
0	Current Assets		0
0	Current Liabilities		0
0	Long Term Liabilities		0
0	Net Assets		0
0	Usable Reserves	(12)	(9,673)
0	Unusable Reserves	(13)	0
0	Total Reserves		(9,673)

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 5. EVENTS AFTER THE REPORTING PERIOD

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### Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by Andrew Crookham, CPFA (Deputy Chief Executive & Executive Director of Resources) on 20<sup>th</sup> December 2023.

Events taking place after this date are not reflected in the financial statements or notes.

Signed Andrew Crookham:

Dated: 20 December 2023

### Events after the Reporting Period

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (20<sup>th</sup> December 2023) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 2022/23 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.

There were no material "non-adjusting" or "adjusting" events arising after the reporting period and up to 20<sup>th</sup> December 2023.

## NOTE 6. OTHER OPERATING EXPENDITURE

2021/22		2022/23
£'000		£'000
1,178	Precepts paid to non-principal authorities and levies	1,197
15,254	Gain or Loss on the disposal of non-current assets	4,698
16,432	Total	5,895

## NOTE 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22		2022/23
£'000		£'000
18,860	Interest payable and similar charges	20,671
20,753	Net Interest on the net defined benefit liability (asset)	6,553
(3,218)	Changes on Investment Property valuations	(7,502)
(624)	Changes in Financial Instruments measured at amortised cost valuations	1,926
560	Expenditure on Investment Properties	593
36,331	Total Gross Expenditure	22,241
(1,031)	Interest receivable and similar income	(6,384)
(2,204)	Income from Investment Properties	(2,447)
(3,235)	Total Gross Income	(8,831)
33,096	Total	13,410

## NOTE 8. TAXATION AND NON-SPECIFIC GRANT INCOME

a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement:

2021/22		2022/23
£'000		£'000
(321,522)	Council tax income	(343,731)
(108,048)	Business Rates - Districts	(114,403)
	Non-ring-fenced government grants:	
(21,449)	Adult Social Care Support Grant	(25,849)
(20,580)	Revenue Support Grant	(21,220)
(18,774)	Section 31 Grant - Business Rates	(21,669)
(7,277)	Rural Service Delivery Grant	(7,277)
(4,400)	New Social Care Support Grant	(9,342)
0	New Services Grant	(7,684)
(1,594)	Independent Living Fund Grant	(1,594)
(1,471)	New Homes Bonus Grant	(1,659)
(1,437)	Fire Pensions Section 31 Grant	(1,437)
(1,241)	Extended Rights to Free Travel	(1,503)
(1,080)	Other Non Specific Grant	(773)
(15,593)	Covid-19 Support Grant	0
(5,357)	Local Council Tax Support grant	0
(100,253)	Total Non-ring-fenced Government Grants	(100,007)
	Capital Grants and Contributions:	
(42,564)	DfT Asset Protection Grant	(37,444)
(2,761)	DFT LTP Lincoln Eastern Bypass	(8,859)
(6,441)	Spalding Western Relief Road	(7,872)
(2,986)	Children's Special Provision Fund	(7,567)
(2,900)	DfE Basic Need Grant	(6,217)
(4,945)	DfE Schools Condition Capital Maintenance Grant	(4,914)
(5,137)	DfT Integrated Transport Grant	(3,337)
(987)	Devolved Formula Grant	(3,130)
(2,951)	LEP Holbeach Food Enterprise Zone	(2,238)
0	Children's Homes	(1,443)
0	Local Electric Vehicle Infrastructure	(948)
(980)	Community Infrastructure Levy Grant	(909)
(1,129)	Contributions from Private Sectors	(326)
(4,200)	Grantham Southern Relief Road	0
(4,885)	Other Capital Grants and Contributions	(1,935)
(82,866)	Total Capital Grants and Contributions	(87,139)
(612,688)	Total	(645,280)

# NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 12 Usable Reserves.

b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement.

2021/22		2022/23
£'000		£'000
	Covid 19 Grants:	
(5,421)	Household Support Grant	(14,789)
(1,523)	Practical Support Grant	(33)
(3,912)	Contain Outbreak Management Fund	0
(2,605)	Covid Local Support Grant	0
(1,211)	Winter Grant Scheme	0
(1,050)	Schools Catch Up Funding	0
(1,018)	Community Testing Grant	0
(144)	Schools Fund	0
(53)	Sales Fees and Charges Support Grant	0
(266,671)	Dedicated Schools Grant	(284,164)
(33,895)	Public Health Grant	(34,847)
(33,249)	Better Care Fund - Improved Element	(34,257)
0	Homes For Ukraine	(14,533)
(11,005)	Pupil Premium	(11,854)
(9,288)	Disabled Facilities Grant	(7,546)
0	Schools Supplementary Grant	(3,989)
(2,247)	Adult Safeguarding Learning	(3,678)
(3,221)	Universal Infant Free School Meals	(2,989)
(1,770)	Asylum Seekers	(2,931)
(2,931)	EFA and Sport Grant	(2,893)
0	Adult Care Discharge Grant	(2,807)
(2,217)	YPLA 16-19 Funding	(2,480)
(1,883)	Troubled Families Grant	(2,288)
0	Fair Cost of Care	(2,273)
(1,595)	YPLA 16-19 LR and Bursaries	(1,949)
(556)	Schools Recovery Premium Funding	(1,644)
0	Family Hubs	(1,416)
(1,158)	ERDF Grant Income	(1,250)
(1,158)	The Private Finance Initiative	(1,158)
(1,191)	Fire New Burdens	(1,134)
(164)	Regional Improvement and Innovation Alliance	(1,082)
(10,707)	Other Revenue Grants	(6,578)
(401,844)	Total	(444,564)

## NOTE 9. EXPENDITURE FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates, services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22 (restated)			Directorate	2022/23		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
132,017	11,421	143,438	Children's Services	95,297	6,161	101,458
152,440	8,213	160,653	Adult Care and Community Wellbeing	156,059	3,923	159,982
76,690	74,543	151,233	Place	116,733	74,766	191,499
22,517	4,164	26,681	Fire & Rescue and Community Safety	23,580	4,011	27,591
69,381	17,930	87,310	Resources	70,882	12,131	83,013
0	0	0	Commercial	0	0	0
2,642	334	2,976	Corporate Services	2,914	158	3,072
86,309	(86,053)	256	Other Budgets	97,891	(92,880)	5,011
(2,264)	49,002	46,738	Schools Budgets	(4,757)	42,657	37,900
539,732	79,554	619,286	Net Cost of Services	558,599	50,927	609,526
(526,754)	(36,406)	(563,160)	Other Income & Expenditure	(552,380)	(73,593)	(625,973)
12,978	43,148	56,126	(Surplus)/Deficit	6,219	(22,666)	(16,447)
(13,178)			Movement to/(from) Earmarked Reserves	(6,219)		
(200)			(Surplus) or Deficit on General Fund Balance	0		
16,200			Opening General Fund balance at 1 April 2022	16,400		
200			Plus Surplus or Less (Deficit) on General Fund in Year	0		
16,400			Closing General Fund balance at 31 March 2023	16,400		

The Commercial Directorate was merged into the Resources Directorate in 2022/23.

# NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

a) The below table shows the adjustments between funding and accounting basis included within the Expenditure and Funding Analysis:

2021/22				Directorate	2022/23			
Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,348	9,334	(261)	11,421	Children's Services	2,416	4,064	(319)	6,161
1,810	6,556	(153)	8,213	Adult Care and Community Wellbeing	1,079	2,948	(105)	3,923
69,301	6,129	(886)	74,543	Place	73,108	2,505	(847)	74,766
3,769	670	(275)	4,164	Fire & Rescue and Community Safety	4,249	(48)	(191)	4,011
7,241	9,280	1,409	17,930	Resources	6,440	3,977	1,714	12,131
0	0	0	0	Commercial	0	0	0	0
0	340	(6)	334	Corporate Services	0	156	2	158
443	(17,197)	(69,300)	(86,053)	Other Budgets	1,724	(15,552)	(79,052)	(92,880)
34,920	18,060	(3,978)	49,002	Schools Budgets	37,805	9,015	(4,162)	42,658
119,832	33,173	(73,451)	79,554	Net Cost of Services	126,821	7,065	(82,959)	50,927
(70,830)	24,427	9,997	(36,406)	Other Income and Expenditure from the Expenditure and Funding Analysis	(89,942)	6,553	9,796	(73,593)
49,002	57,600	(63,454)	43,148	Difference between General Fund surplus and deficit and CI&ES Surplus or Deficit on the Provision of Services	36,879	13,618	(73,163)	(22,666)

The Commercial Directorate was merged into the Resources Directorate in 2022/23.



# NOTES SUPPORTING THE COMPREHENSIVE

## INCOME & EXPENDITURE STATEMENT

### Adjustments for Capital Purposes

The column for adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for Capital Financing i.e. Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for the Pensions Adjustments

The Net change for the removal of pension contributions also includes the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CI&ES.

### Other Differences

Other differences take into account differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and any amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

# NOTES SUPPORTING THE COMPREHENSIVE

## INCOME & EXPENDITURE STATEMENT

b) Included within the Net Chargeable Expenditure is income received from external customers. This income affects the General Fund balance and has been reported during the year.

2021/22				Directorate	2022/23			
Fees & Charges	Rents	Sales	Total Customer & Client Receipts		Fees & Charges	Rents	Sales	Total Customer & Client Receipts
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(1,524)	(45)	(404)	(1,973)	Children's Services	(1,754)	(46)	(318)	(2,118)
(52,840)	18,247	(1,500)	(36,093)	Adult Care and Community Wellbeing	(55,039)	(36)	(1,942)	(57,017)
(8,340)	(2,418)	(1,370)	(12,127)	Place	(7,806)	(2,634)	(1,830)	(12,270)
(13)	(6)	(2)	(20)	Fire & Rescue and Community Safety	(12)	0	(1)	(13)
(1,307)	(2,766)	(219)	(4,291)	Resources	(1,422)	(3,033)	(51)	(4,506)
(2)	0	0	(2)	Corporate Services	(4)	0	0	(4)
(8)	(0)	0	(8)	Other Budgets	0	0	0	0
(2,480)	(52)	(2,005)	(4,537)	Schools Budgets	(3,150)	(42)	(2,395)	(5,587)
(66,512)	12,960	(5,500)	(59,052)	Total External Income Analysed	(69,187)	(5,791)	(6,537)	(81,515)

**NOTES SUPPORTING THE COMPREHENSIVE  
INCOME & EXPENDITURE STATEMENT**

**NOTE 10. EXPENDITURE AND INCOME ANALYSED BY  
NATURE**

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

	2021/22	2022/23
	£'000	£'000
<b>Expenditure:</b>		
Employee benefits expenses	421,500	403,319
Other service expenses	714,083	757,448
Depreciation, amortisation and impairment	78,435	94,458
Interest payments	18,860	20,671
Precepts and Levies	1,178	1,197
(Gain)/Loss on the disposal of assets	15,259	4,742
<b>Total expenditure</b>	<b>1,249,315</b>	<b>1,281,835</b>
<b>Income:</b>		
Fees, charges and other service income	(177,625)	(194,511)
Interest and investment income	(1,031)	(13,929)
Income from Council Tax, Non-domestic Rates	(429,570)	(458,134)
Government Grants and Contributions	(584,962)	(631,709)
<b>Total income</b>	<b>(1,193,188)</b>	<b>(1,298,282)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>56,126</b>	<b>(16,447)</b>

## NOTE 11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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This Note details the adjustments that are made to total Comprehensive Income and Expenditure Statement to adjust proper accounting practice for statutory provisions 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 the Council are required to be paid and out of which all liabilities of the Council 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 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.

### 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 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.

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2022/23	Usable Reserves			Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<u>Adjustments to Revenue Resources</u>				
Amount by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to/(from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CIES	72,730	0	0	(72,730)
Employer's pensions contributions and direct payments to pensioners payable in the year	(59,111)	0	0	59,111
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(38)	0	0	38
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	(5,730)	0	0	5,730
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	(1,519)	0	0	1,519
Reversal of entries included in the SDPS in relation to Capital Expenditure (these items are charged to the CAA):				
Charges for depreciation and impairment of non-current assets	91,729	0	0	(91,729)
Revaluation losses on Property Plant and Equipment	687	0	0	(687)
Movements in the market value of Investment Properties	(7,545)	0	0	7,545
Amortisation of intangible assets	2,044	0	0	(2,044)
Capital grants and contributions applied	(59,047)	0	0	59,047
Capital Receipts applied	(4,332)	0	0	4,332
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	31,428	0	0	(31,428)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	9,072	0	0	(9,072)
<b>Total Adjustments to Revenue Resources</b>	<b>70,368</b>	<b>0</b>	<b>0</b>	<b>(70,368)</b>
<u>Adjustments between Revenue and Capital Resources</u>				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(30,038)	0	0	30,038
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(34,906)	0	0	34,906
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(64,944)</b>	<b>0</b>	<b>0</b>	<b>64,944</b>
<u>Adjustments to Capital Resources</u>				
Capital grants and contributions unapplied credited to the CIES	(28,092)	0	28,092	0
Capital Receipts used in year to fund Capital Expenditure	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	(30,611)	30,611
<b>Total Adjustments to Capital Resources</b>	<b>(28,092)</b>	<b>0</b>	<b>(2,519)</b>	<b>30,611</b>
<b>Total Adjustments</b>	<b>(22,668)</b>	<b>0</b>	<b>(2,519)</b>	<b>25,187</b>

CIES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2021/22	Usable Reserves			Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<u>Adjustments to Revenue Resources</u>				
Amount by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to/(from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CIES	112,325	0	0	(112,325)
Employer's pensions contributions and direct payments to pensioners payable in the year	(54,725)	0	0	54,725
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(115)	0	0	115
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	(6,741)	0	0	6,741
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	(767)	0	0	767
Reversal of entries included in the SDPS in relation to Capital Expenditure (these items are charged to the CAA):				
Charges for depreciation and impairment of non-current assets	83,674	0	0	(83,674)
Revaluation losses on Property Plant and Equipment	(4,059)	0		4,059
Movements in the market value of Investment Properties	(3,223)	0	0	3,223
Amortisation of intangible assets	2,042	0	0	(2,042)
Capital grants and contributions applied	(57,210)	0	0	57,210
Capital Receipts applied	(11,131)	0	0	11,131
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	36,528	0	0	(36,528)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	20,485	0	0	(20,485)
<b>Total Adjustments to Revenue Resources</b>	<b>117,083</b>	<b>0</b>	<b>0</b>	<b>(117,083)</b>
<u>Adjustments between Revenue and Capital Resources</u>				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(38,717)	0	0	38,717
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(15,466)	0	0	15,466
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(54,183)</b>	<b>0</b>	<b>0</b>	<b>54,183</b>
<u>Adjustments to Capital Resources</u>				
Capital grants and contributions unapplied credited to the CIES	(25,655)	0	25,655	0
Capital Receipts used in year to fund Capital Expenditure	5,905	(5,905)	0	0
Application of grants to capital financing transferred to the CAA	0	0	(40,593)	40,593
<b>Total Adjustments to Capital Resources</b>	<b>(19,750)</b>	<b>(5,905)</b>	<b>(14,938)</b>	<b>40,593</b>
<b>Total Adjustments</b>	<b>43,150</b>	<b>(5,905)</b>	<b>(14,938)</b>	<b>(22,307)</b>

CIES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

## NOTE 12. USABLE RESERVES

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against Council Tax.

Balance at 31 March 2022		Balance at 31 March 2023
£'000		£'000
71,792	Capital Grants Unapplied	69,273
244,268	Earmarked Reserves	238,120
16,400	General Fund	16,400
332,460	Total	323,793

## NOTE 13. UNUSABLE RESERVES

Certain reserves are held to maintain the accounting processes for non-current assets, financial instruments, and employee benefits. These accounts do not represent usable resources for the Council.

The following table summarises the Unusable Reserves held by the Council:

Balance at 31 March 2022			Balance at 31 March 2023
£'000		Note	£'000
316,005	Revaluation Reserve	(13a)	360,794
650,159	Capital Adjustment Account	(13b)	701,650
(1,439)	Financial Instruments Adjustment Account	(13c)	(1,401)
298	Financial Instrument Revaluation Reserve	(13d)	525
(867,001)	Pension Reserve	(13e)	(268,742)
(3,225)	Collection Fund Adjustment Account	(13f)	2,505
(6,482)	Accumulated Absences Account	(13g)	(4,963)
88,315	Total		790,368

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

## 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. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22	Revaluation Reserve	2022/23
£'000		£'000
244,644	Balance at 1 April	316,005
93,411	Upward revaluation of assets	69,355
(2,141)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,594)
91,270	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	64,761
(10,615)	Difference between fair value depreciation and historical cost depreciation	(17,475)
(9,294)	Accumulated gains on assets sold or scrapped	(2,497)
(19,909)	Amount written off to the Capital Adjustment Account	(19,972)
316,005	Balance at 31 March	360,794

## b) Capital Adjustment Account.

The Capital Adjustment Account (CAA) 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 (CIES) (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 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.



# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Note 11 Adjustments between accounting basis and funding under regulations provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22		2022/23
£'000	Capital Adjustment Account	£'000
602,580	Balance at 1 April	650,159
	<u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u>	
(83,674)	Charges for depreciation and impairment of non-current assets	(91,729)
4,059	Revaluation losses on Property, Plant and Equipment	(687)
(2,042)	Amortisation of intangible assets	(2,044)
(36,528)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(31,428)
(20,485)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(9,072)
19,909	Adjusting amounts written out of the Revaluation Reserve	19,972
(118,761)	Net written out amount of the cost of non-current assets consumed in the year	(114,988)
	<u>Capital financing applied in the year:</u>	
11,131	Use of Capital Receipts to finance new capital expenditure	4,332
57,210	Capital grants and contributions credited to the CIES that have been applied to capital financing	59,047
40,593	Application of grants to capital financing from the Capital Grants Unapplied Account	30,611
38,717	Statutory provision for the financing of capital investment charged against the General Fund	30,038
15,466	Capital expenditure charged against the General Fund	34,906
163,117		158,934
3,223	Movements in the market value of Investment Properties debited or credited to the CIES	7,545
650,159	Balance at 31 March	701,650

## c) Financial Instruments & Financial Assets Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2021/22		2022/23
£'000	Financial Instruments & Financial Assets Adjustment Account	£'000
(1,554)	Balance at 1 April	(1,439)
38	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
77	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0
(1,439)	Balance at 31 March	(1,401)

## d) Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains lost.
- Disposed of and the gains are realised.

2021/22		2022/23
£'000	Financial Instrument Revaluation Reserve	£'000
236	Balance at 1 April	298
62	Change in treatment of loss allowance	227
298	Balance at 31 March	525

## e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. In the table below, the credit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2021/22		2022/23
£'000		£'000
(1,083,641)	Balance at 1 April	(867,001)
274,240	Actuarial gains or losses on pensions assets and liabilities	611,878
(112,325)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(72,730)
54,725	Employer's pensions contributions and direct payments to pensioners payable in the year	59,111
(867,001)	Balance at 31 March	(268,742)

## f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax & business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax & business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22		2022/23
£'000	Collection Fund Adjustment Account	£'000
(9,966)	Balance at 1 April	(3,225)
6,741	Amount by which council tax income credited to the CIES is different from council tax & business rates income calculated for the year in accordance with statutory requirements	5,730
(3,225)	Balance at 31 March	2,505

## g) Accumulated Absences Account

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

2021/22		2022/23
£'000	Accumulated Absences Account	£'000
(7,249)	Balance at 1 April	(6,482)
7,249	Settlement or cancellation of accrual made at the end of the preceding year	6,482
(6,482)	Amounts accrued at the end of the current year	(4,963)
767	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,519
(6,482)	Balance at 31 March	(4,963)

## NOTE 14. TRANSFER TO/FROM EARMARKED RESERVES

The note below sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2022/23.

Balance at 1 April 2021	Additions in Year	Used in Year	Balance at 31 March 2022		Balance at 1 April 2022	Additions in Year	Used in Year	Balance at 31 March 2023
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
11,878	3,338	(2,322)	12,894	Balances from dedicated schools budget	12,894	3,974	(840)	16,028
14,237	14,326	(14,904)	13,659	Balances for schools under a scheme of delegation	13,659	13,605	(14,144)	13,120
				Other Earmarked Reserves:				
0	4,899	(4,899)	0	Other Services	0	4,782	(7,183)	2,390
29,254	13,582	(29,254)	13,582	Reserves requiring Council approval in September	13,582	10,359	(8,791)	10,359
6,775	0	0	6,775	Insurance	6,775	0	0	6,775
685	508	(421)	772	Schools Sickness Insurance	772	93	0	865
2,638	148	(729)	2,057	Shared Services (Legal and Procurement)	2,057	438	(326)	2,169
40,482	6,439	0	46,921	Financial Volatility	46,921	0	0	46,921
2,749	0	(791)	1,958	CSSC Transformation including BW Rebuild & Development	1,958	0	(1,394)	564
5,771	1,286	(2,337)	4,720	Energy from Waste Lifecycles	4,720	1,286	(2,130)	3,876
14,452	10,000	(1,001)	23,451	Development Fund	23,451	5,000	(12,729)	15,722
6,152	0	0	6,152	Business Rates Volatility Reserve	6,152	0	0	6,152
11,311	0	(8,009)	3,302	Support to Businesses	3,302	0	(841)	2,461
10,460	12,436	(14,939)	7,957	Other Service Earmarked Reserves	7,957	2,281	(4,663)	5,575
156,844	66,962	(79,606)	144,200	Total of Other Earmarked Reserves	144,200	41,818	(53,041)	132,977

# NOTES SUPPORTING THE BALANCE SHEET

Balance at 1 April 2021	Additions in Year	Used in Year	Balance at 31 March 2022		Balance at 1 April 2022	Additions in Year	Used in Year	Balance at 31 March 2023
£'000	£'000	£'000	£'000	Revenue Grants and Contributions Unapplied Reserves	£'000	£'000	£'000	£'000
8,434	9,805	(9,348)	8,891	Schools	8,891	7,980	(8,737)	8,134
10,702	1,144	(2,158)	9,688	Children Services	9,688	3,353	(1,446)	11,595
65,524	5,679	(6,669)	64,534	Adult Care and Community Wellbeing	64,534	14,450	(5,373)	74,217
10,945	4,286	(1,109)	14,122	Place	14,122	1,460	(6,610)	8,972
3,700	0	(2,072)	1,628	Other Budgets	1,628	0	0	1,628
826	0	(8)	818	Resources	818	0	0	212
384	0	0	384	Fire and Rescue	384	0	0	384
100,515	20,914	(21,364)	100,065	Total of Revenue Grants and Contributions Unapplied Reserves	100,065	27,243	(22,166)	105,143
257,360	87,876	(100,970)	244,266	Total Reserves	244,266	69,061	(75,207)	238,120

The balance held by schools under the scheme of delegation represents the net underspending of school budget shares in 2022/23. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The Earmarked Reserves – Requiring Council Approval balance is not included within the General Reserve as it contains funds earmarked for the specific purposes set out in the report to the July 2023 Executive. The Council is to be asked to confirm these proposals at its 4th July 2023 meeting, at which point these funds will be transferred to the relevant earmarked reserve.

The reserve for Insurance is earmarked for potential future claims under the excess clauses of the Council’s external insurance policies. Separate provision is made within Provisions for all claims currently outstanding.

The Schools Sickness Insurance Reserve provides reimbursement to schools, who are members of the scheme, when staff are absent from work.

The Shared Services Reserve - (Legal Services and Procurement) represents what amounts these services carried forward from 2022/23. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2023/24. The Procurement Reserve

# NOTES SUPPORTING THE BALANCE SHEET

represents Procurement Lincolnshire's underspend at the end of 2022/23. The underspend relates to both Council money and partners' money. This amount will be carried into 2023/24 for schemes for mutual benefit to all the partners.

The Financial Volatility Reserve has been established to help the Council deal with the future uncertainties around Local Government funding.

The CSSC Transformation Including BW Rebuild and Development Reserve will be used to fund the specialist services required to enable the support service contract to be re-let.

Energy from Waste Lifecycle - as the Energy from Waste contract is technically a Service Concession arrangement, it includes an element of cost for periodic lifecycle replacement of the assets used to provide the service.

Development Fund has been created from revenue budget underspends and will be used to fund one-off costs required for e.g. developing new initiatives, investing to save future costs, dealing with backlog work, transforming the way we work in the future

The Business Rates Volatility Reserve can be used to offset any collection fund deficit arising in future years.

The Support to Businesses Reserve was created by the Council for the purpose of implementing schemes for supporting Lincolnshire businesses to assist them to respond to economic conditions, adapt and grow.

The Other Service Earmarked Reserves represents numerous reserves held by service areas of specific purposes.

The Revenue Grants and Contributions Unapplied Reserves are used where the Council has received funding, but the expenditure has not yet taken place. The funding will be used for the schemes that it was awarded for in future accounting periods.

## NOTE 15. PROPERTY, PLANT AND EQUIPMENT

### a) Movement on Non-Current Assets

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in Property, Plant and Equipment							
Cost or Valuation							
At 1 April 2022	570,692	115,265		8,482	110,271	804,710	13,403
Additions	7,844	8,330	75,840	0	66,120	158,134	184
Revaluation Increase to RR	44,607	0	0	2,295	0	46,902	5,586
Revaluation Decrease to RR	(5,072)	0	0	(91)	0	(5,163)	0
Revaluation Increase/(Decrease) to SDPS	(1,613)	0	0	(1,284)	0	(2,897)	0
Derecognition - Disposals	(5,224)	(2,759)	0	(545)	0	(8,528)	0
Derecognition to RR	(397)	0	0	0	0	(397)	0
Derecognition to SDPS	(2,365)	0	0	0	0	(2,365)	0
Reclassified to/from Held for Sale	(220)	0	0	(275)	0	(495)	0
Reclassifications - Other	20,128	337	50,421	3,606	(75,509)	(1,017)	0
At 31 March 2023	628,380	121,173		12,188	100,882	988,884	19,173
Depreciation and Impairment							
At 1 April 2022	(19,354)	(24,893)		(75)	0	(44,322)	(714)
Depreciation Charge for 2022/23	(28,327)	(10,119)	(53,254)	(27)	0	(91,727)	(455)
Depreciation written out on upward revaluation	22,453	0	0	0	0	22,453	436
Depreciation written out on downward revaluation	597	0	0	37	0	634	0
Depreciation written out to the SDPS	2,139	0	0	72	0	2,211	0
Impairment (losses)/reversals recognised in RR	(64)	0	0	0	0	(64)	0
Derecognition - Disposals	1,960	2,712	0	35	0	4,707	0
Derecognition to RR	(113)	0	0	0	0	(113)	0
Derecognition to SDPS	306	0	0	0	0	306	0
Reclassifications - Other	429	0	0	(429)	0	0	0
At 31 March 2023	(19,974)	(32,300)		(387)	0	(105,915)	(733)
Net Book Value at 31 March 2023	608,406	88,873	741,848	11,801	100,882	1,551,810	18,440
Net Book Value at 1 April 2022	551,338	90,372	668,841	8,407	110,271	1,429,229	12,689

RR - Revaluation Reserve      SDPS - Surplus or Deficit on the Provision of Services

# NOTES SUPPORTING THE BALANCE SHEET

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant and Equipment
Movement in Property, Plant and Equipment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
At 1 April 2021	543,888	106,917		7,606	68,361	726,772	12,746
Additions	5,738	7,889	69,552	1	63,997	147,177	116
Revaluation Increase to RR	38,927	3,957	0	483	0	43,367	541
Revaluation Decrease to RR	(2,901)	(1,133)	0	(25)	0	(4,059)	0
Revaluation Increase/(Decrease) to SDPS	112	143	0	33	0	288	0
Derecognition - Disposals	(15,937)	(5,583)	0	(523)	0	(22,043)	0
Derecognition to RR	(1,490)	0	0	0	0	(1,490)	0
Derecognition to SDPS	(66)	0	0	0	0	(66)	0
Reclassified to/from Held for Sale	(775)	0	0	(1,235)	0	(2,010)	0
Reclassifications - Other	3,196	3,075	13,673	2,142	(22,087)	(1)	0
As at 31 March 2022	570,692	115,265		8,482	110,271	887,935	13,403
Depreciation and Impairment:							
At 1 April 2021	(50,665)	(26,378)		(64)	0	(77,107)	(1,507)
Depreciation Charge for 2021/22	(20,987)	(9,321)	(53,346)	(20)	0	(83,674)	(338)
Depreciation written out on upward revaluation	45,241	4,803	0	0	0	50,044	1,131
Depreciation written out on downward revaluation	1,370	548	0	0	0	1,918	0
Depreciation written out to the SDPS	3,641	127	0	3	0	3,771	0
Impairment (losses)/reversals recognised in RR	0	0	0	0	0	0	0
Derecognition - Disposals	1,929	5,328	0	6	0	7,263	0
Derecognition to RR	(47)	0	0	0	0	(47)	0
Derecognition to SDPS	164	0	0	0	0	164	0
As at 31 March 2022	(19,354)	(24,893)		(75)	0	(97,668)	(714)
Net Book Value as at 31 March 2022	551,338	90,372	668,841	8,407	110,271	1,429,229	12,689
Net Book Value as at 1 April 2021	493,223	80,539	638,962	7,542	68,361	1,288,627	11,239

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services



# NOTES SUPPORTING THE BALANCE SHEET

In accordance with the temporary relief offered by “CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution”, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because there are some deficits in the information on infrastructure assets which is held by the Council. This means that the gross cost and accumulated depreciation values held for infrastructure assets do not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The Council splits expenditure on infrastructure assets each year into components, which are assigned appropriate useful economic lives, and are depreciated on a straight-line basis. The CIPFA Accounting Code of Practice requires that assets are derecognised at the point when they are replaced. The information held by the Council is not sufficient to directly link an existing infrastructure asset to a replacement infrastructure asset. Instead, when the useful economic life of a component has expired the Council derecognises the spent value from the gross cost value and the accumulated depreciation value, as this is believed to be a reasonable approximation for the timing of when an asset is likely to be replaced.

The complexities of recording the information that would be necessary to guarantee that the Council does not replace any part of the infrastructure network earlier or later than indicated by the useful economic life means that the Council is required to implement this temporary solution until a suitable long-term solution is found.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. As explained above, the Council derecognises infrastructure assets when the useful economic life of each asset has expired, as this is deemed to be a proxy for when the asset is replaced.

The Council’s Accounting Policies for Property, Plant & Equipment shown in Note 43 have been updated to clarify the treatment of Infrastructure Assets.

The below table shows the breakdown of the Property, Plant and Equipment line shown on the Balance Sheet between Infrastructure Assets and Other assets classified as Property, Plant and Equipment.

Analysis of Property Plant and Equipment/ Infrastructure Assets	2021/22	2022/23
	£'000	£'000
Infrastructure Assets	668,841	741,848
Other Property, Plant and Equipment	760,384	809,962
Total	1,429,225	1,551,810

# NOTES SUPPORTING THE BALANCE SHEET

## b) Capital Commitments

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023-24 and future years budgeted to cost £205.883m.

Detail	Gross £'000
Spalding Western Relief Road	10,892
North Hykeham Relief Road	162,969
Lindum Group Ltd/Louth Residential Children's Home	1,416
Wates Construction Ltd/Lincoln St Christopher's School	13,807
Separated Paper and Card Recycling	1,198
Grantham Southern Relief Road Phase 3	15,600
<b>Total</b>	<b>205,883</b>

## c) Valuations

The Council undertakes a five-year rolling programme of revaluations to ensure that land and buildings are measured at current value. All valuations are carried out by the Council's appointed Valuers - Kier Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 1 April.

The significant assumptions applied in estimating the current values are:

- Existing Use Value (EUV) has been used where there was sufficient evidence of market transactions for that use (e.g. office accommodation).
- Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, or where there is no evidence of market value or suitably comparable properties (e.g. Schools).

The following table shows a breakdown of carrying amount of non-current asset values, and the year in which they were last valued within the rolling programme:

# NOTES SUPPORTING THE BALANCE SHEET

Non-Current Assets valued as at:	Land and Buildings	Surplus Assets	Specialised Equipment
	£'000	£'000	£'000
	Current Value	Fair Value	Current value
01 April 2018	159,587	1,900	0
01 April 2019	56,331	146	0
01 April 2020	159,944	4,347	0
01 April 2021	85,877	78	0
01 April 2022	146,666	5,331	64,758
<b>Total Cost of Valuation</b>	<b>608,404</b>	<b>11,801</b>	<b>64,758</b>

Vehicles, Furniture and Equipment, Specialist Equipment, Infrastructure and Community Assets are not subject to revaluation. They are reported at the cost of construction or purchase price, where this information is not available the assets are carried at a nominal amount (e.g. for some Community Assets).

Non-Current Assets carried at depreciated historic cost	2021/22	2022/23
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	22,619	24,114
Infrastructure	670,494	741,848
Assets Under Construction	110,271	100,882
<b>Total Cost of Valuation</b>	<b>803,384</b>	<b>866,845</b>

## NOTE 16. HERITAGE ASSETS

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical, or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The assets held by the Council, which have been classed as Heritage Assets fall into three categories:

### 1) Windmills

The Council is responsible for four windmills: Alford five sail windmill, Burgh le Marsh windmill, Ellis Mill in Lincoln and Heckington windmill.

All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County,

# NOTES SUPPORTING THE BALANCE SHEET

preserving unusual or even unique features such as Heckington Mill, which is the only surviving eight sailed mill in the country.

Windmills will be valued at existing use value by the Council's Valuer and where there is insufficient market data, Depreciated Replacement Value is used as a proxy. These valuations will be included on the Council's rolling programme and will be valued every 5 years.

## 2) Historic Buildings

The Council owns various historic buildings, the most famous of which is Lincoln Castle. The Castle was constructed by William the Conqueror on the site of a pre-existing Roman fortress. The Castle is open to the public and guided tours are available to give an insight into the history of Lincoln and Lincolnshire. Various cultural and entertainment events are also held at the Castle each year.

Also, the 12th century Temple Bruer Preceptory Tower, which was built to house the military order formed to guard the shrines of the Holy Land and protect pilgrims on the road. This site is managed by Heritage Lincolnshire on behalf of the Council.

Lincoln Castle and Temple Bruer will continue to be carried at historic cost. This is the capital expenditure on enhancements recognised since records began as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.

## 3) Collections

The Council owns and is responsible for more than three million items in its collections (held across libraries, museums, and archives). These include physical and digital collections from all periods of Lincolnshire's history. Collections include Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment; Militaria and Arms and Armour Collections; and Agriculture Collections.

Many items are unique and of high cultural significance on a national or international scale (for example the Tennyson collection, Bishops Rolls and Registers). Others are of local interest for Lincolnshire.

The collections are relatively static, acquisitions and donations rare. When they do occur, acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house. Collections will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

The County's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The County is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the

# NOTES SUPPORTING THE BALANCE SHEET

cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the Decision details area. "Collections Development Policy (Museums) 2022-25".

<http://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=350>.

Depreciation is not charged on Heritage Assets.

Reconciliation of the carrying value of Heritage Assets held:

	Windmills	Other Historic Buildings	Collections	Total
Cost or Valuation	£'000	£'000	£'000	£'000
Balance at 1 April 2021	4,645	23,953	38,000	66,598
Additions - In House construction/Improvement	35	586	0	621
At 31 March 2022	4,680	24,539	38,000	67,219
Balance at 1 April 2022	4,680	24,539	38,000	67,219
Additions - In House construction/Improvement	106	28	0	134
At 31 March 2023	4,786	24,567	38,000	67,353

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non-current assets - Property, Plant and Equipment (accounting policy 4, above). However, some of the measurement rules are relaxed in relation to Heritage Assets.

a) Additions to Heritage Assets

There have been additions of £0.01m to Ellis Mill, £0.02m to Alford Windmill, £0.01m to Heckington Windmill, £0.07 to Burgh-le-Marsh Windmill and £0.03m to Lincoln Castle

b) Impairment and Disposals are accounted for in line with the Council's policy on non-current assets – Property, Plant and Equipment (accounting policy for Disposal of Property, Plant and Equipment and Impairment of non-current assets). There have been no material disposals of Heritage Assets in 2022/23.

## NOTE 17. INVESTMENT PROPERTIES

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

For these purposes, the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

### Investment Properties Income and Expenditure

	County Farm Estates		Other General Fund Properties	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Rental Income	(2,135)	(2,359)	(70)	(89)
Direct Operating Expenses	533	574	27	19
Net (Income)/Expenditure	(1,602)	(1,785)	(43)	(70)

There are no restrictions on the Council's right to the remittance of income for its investment properties. Rental income received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance, or enhancement.

Depreciation is not charged on Investment Properties.

### Movement on Investment Properties

	County Farm Estates		Other General Fund Properties		Total	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	106,036	107,097	1,723	1,620	107,759	108,717
Additions - Acquisitions (Purchase and Construction)	453	508	0	7	453	515
Disposals	(2,584)	(1,909)	(135)	0	(2,719)	(1,909)
Net Gains/(Losses) from fair value adjustments	3,192	7,470	32	75	3,224	7,545
Transfers to/from Property, Plant and Equipment	0	0	0	0	0	0
Balance at 31 March	107,097	113,166	1,620	1,702	108,717	114,868

# NOTES SUPPORTING THE BALANCE SHEET

Nature of asset holding	County Farm Estates		Other General Fund Properties	
	2021/22	2022/23	2021/22	2022/23
Owned Assets	107,083	113,152	1,620	1,702
Leased Assets	15	14	0	0
Balance at 31 March	107,098	113,166	1,620	1,702

## Initial Recognition.

As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

## Measurement after Recognition.

Investment Properties will be measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use using the current market conditions and recent sales prices and other relevant information for similar assets in the local area. The fair value of Investment Property held under a lease is the lease interest in the asset.

## Revaluation Gains and Losses and Disposal of Investment Properties.

A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

## Revaluations.

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Kier Services for other general fund Investment Properties. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

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

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion approach for the other properties.

# NOTES SUPPORTING THE BALANCE SHEET

The market value approach takes into account the similar assets in the market, existing lease terms and rentals and market evidence, which comes from numerous sources. If there is more than one value available for the same property on different basis, the highest valuation figure is used. Included within the Fair Value Valuation Method on the County Farms assets, there are a number of 'Special Assumptions' that have been used, relating to the limitations and restrictions on sale. These assumptions apply to a proportion of the overall value and are unlikely to lead to a change in the estimated valuation.

The term and reversion approach takes into account the existence of an occupational lease, having regard to lease terms and conditions and assessing the Council's Valuer's opinion of the market rental value of each individual property, and then capitalising the market rent adopting a suitable yield, which again reflects the market evidence of property investment yields. This approach takes into account market circumstances and comparable market evidence.

## NOTE 18. INTANGIBLE ASSETS

The Council accounts for its software and licences as intangible assets. The IT systems are accounted for as part of Property, Plant and Equipment, under the heading Vehicles, Plant, Furniture and Equipment. Intangible assets recognised by the Council include both purchased software and licences. The Council has no internally generated software during the year 2022/23.

### a) Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
Balance at 1 April 2022			
Gross carrying amount	12,711	2,482	15,193
Accumulated amortisation	(8,878)	(2,067)	(10,945)
Net carrying amount at 1 April 2022	3,833	415	4,248
Additions:			
Other disposals	(1,608)	(74)	(1,682)
Amortisation for the period	(1,765)	(279)	(2,044)
Amortisation written out on disposal	1,608	74	1,682
Other changes - reclassifications	1,017	0	1,017
Net carrying amount at 31 March 2023	3,085	136	3,221
Comprising:			
Gross carrying amounts	12,120	2,408	14,528
Accumulated amortisation	(9,035)	(2,272)	(11,307)
Balance Sheet amount at 31 March 2023	3,085	136	3,221



# NOTES SUPPORTING THE BALANCE SHEET

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.044m (£2.042m in 2021/22) was charged to revenue in 2022/23.

## b) Significant Capitalised Software

At 31 March 2023, the Council has not capitalised material items of software during 2022/23.

## c) Capital Commitments

As at 1 April 2023, the Council hasn't entered into any contractual commitments for intangibles assets over £0.750m.

## d) Revaluation

The Council does not revalue its intangible assets; all assets are carried at cost. Annually an impairment review is undertaken to ensure that all intangible assets have an appropriate asset life and carrying value as at 31 March each year.

## NOTE 19. FINANCIAL INSTRUMENTS AND THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### a) Financial Instruments Balances

The following categories of financial instruments are disclosed in the Balance Sheet:

	Long-Term		Current	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
Financial Liabilities	£'000	£'000	£'000	£'000
<b>Borrowings:</b>				
Amortised Cost	468,806	458,447	12,244	14,170
<b>Total Borrowings</b>	<b>468,806</b>	<b>458,447</b>	<b>12,244</b>	<b>14,170</b>
PFI and Finance Lease Liabilities	7,817	6,931	0	0
<b>Total PFI &amp; Finance Lease Liabilities</b>	<b>7,817</b>	<b>6,931</b>	<b>0</b>	<b>0</b>
<b>Creditors &amp; Other Long Term Liabilities:</b>				
Amortised Cost	3,221	4,326	96,836	84,908
<b>Total Creditors</b>	<b>3,221</b>	<b>4,326</b>	<b>96,836</b>	<b>84,908</b>

# NOTES SUPPORTING THE BALANCE SHEET

	Long-Term		Current	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
Financial Assets	£'000	£'000	£'000	£'000
<b>Investments:</b>				
Amortised Cost * (1)	7,365	721	256,016	182,401
Fair Value through Other Comprehensive Income - Designated Equity Instruments	312	539	0	0
Fair Value through Profit and Loss	0	0	25,336	63,045
<b>Total Investments</b>	<b>7,677</b>	<b>1,260</b>	<b>281,352</b>	<b>245,446</b>
<b>Debtors:</b>				
Amortised Cost	2,689	3,112	0	0
Carried at Contract Amount	0	0	38,240	52,439
<b>Total Debtors</b>	<b>2,689</b>	<b>3,112</b>	<b>38,240</b>	<b>52,439</b>

No soft loans are included in the Amortised Cost balance in the above figures. No collateral or financial guarantees are held by the Council at 31 March 2023 or included in the above figures. No financial instruments included in the above figures have been reclassified or derecognised during the year and no defaults or breaches have occurred.

## b) Financial Instruments Income, Expense, Gains or Losses

The Council's Financial Liabilities are all valued at amortised cost. There have been no gains or losses on derecognition or impairment losses during the year on the financial liabilities held by the Council.

A gain on revaluation of equity instruments designated at fair value through other comprehensive income of £227k, a decrease in expected credit loss allowance (gain) of £3k and a decrease (loss) in the fair value of debtors from an impairment allowance of £1,926k occurred in 2022/23.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments, including interest and fees paid and received on financial assets measured at other than fair value through profit and loss, are made up as follows:

	2021/22	2022/23
	£'000	£'000
<b>(Gains) or Losses on:</b>		
Financial Assets at Amortised Cost	(620)	1,923
Financial Assets FVOCI - Designated Equity Instruments	(62)	(227)
<b>Total Net Gains (-) or Losses</b>	<b>(682)</b>	<b>1,696</b>
<b>Interest Revenue:</b>		
Financial Assets at Amortised Cost	(712)	(3,027)
<b>Total Interest Revenue</b>	<b>(712)</b>	<b>(3,027)</b>

# NOTES SUPPORTING THE BALANCE SHEET

	2021/22	2022/23
	£'000	£'000
Interest Expense:		
Financial Liabilities At Amortised Cost	18,485	18,095
<b>Total Interest Expense</b>	<b>18,485</b>	<b>18,095</b>
Fee Expense:		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	18	15
<b>Total Fee Expense</b>	<b>18</b>	<b>15</b>

## c) Fair Value Measurement and Disclosure

Financial assets classified as fair value through profit and loss or fair value through other comprehensive income are measured at fair value on a recurring basis and carried on the Balance Sheet at this fair value. All other financial liabilities and financial assets are classified as amortised cost, including long term debtors and creditors, and are carried on the Balance Sheet at amortised cost. The fair value of these instruments are calculated for disclosure purposes within this note.

The Council uses the most appropriate valuation techniques to measure the fair value of its financial liabilities and financial assets, maximising the use of relevant observable inputs and minimising unobservable inputs, using the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Unobservable comparators – enterprise approach.

The inputs to the measurement techniques are categorised in accordance with the following level of hierarchy, (Level 1 being the most accurate measure of fair value derived directly by market participants):

- Level 1 - quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date.
- Level 2 - comparators other than quoted prices included in Level 1 that are observable for that asset, either directly or indirectly.
- Level 3 - unobservable comparators for the asset.

### Fair Value of Financial Assets Measured at Fair Value Through Profit and Loss - Measured Using Level 1 Inputs - Quoted Price in Active Market.

Financial assets held by the Council that fall into this category include Constant Net Asset Value and Low Volatility Net Asset Value Money Market Funds. These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. Units of the fund are bought

## NOTES SUPPORTING THE BALANCE SHEET

and sold, and dividends paid in accordance with daily yields returned, set at the end of each day. The net asset value of these funds only vary by an insignificant amount due to changing values of the assets in the fund. The price of the fund (fair value) is quoted in an active market and generally equals the carrying amount of the units held. The fair value, including accrued interest, is carried on the Balance Sheet.

Details of these instruments are shown in the table below:

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Money Market Funds	25,325	25,325	62,850	62,850
Financial Assets Measured at Fair Value through Profit and Loss	25,325	25,325	62,850	62,850

Fair Value of Financial Assets Measured at Fair Value Through Other Comprehensive Income - Designated Equity Instruments - Measured Using Level 3 Inputs - Enterprise Approach Valuation Technique.

Financial assets held by the Council that fall into this category include small equity shareholdings in companies that are held for service benefit reasons. These include holdings in Investors in Lincoln (14,000 shares), Hoople Ltd (3 shares) and a company called ESPO Trading Ltd (100 shares). Shares in these companies are not traded in an active market and have no observable inputs. The fair value of these instruments are to be carried on the Balance Sheet and hence have been calculated using the enterprise approach (a discounted cash flow technique) as defined in IFRS 13 Fair Value Measurement). The fair value calculation for ESPO Trading Ltd using this approach was found to be immaterial and hence not recognised. No dividends are received on these equity holdings.

Details of these instruments are shown in the table below:

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 3 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Investors in Lincoln	14	312	14	335
Hoople Ltd	0	0	0	204
Financial Assets Measured at FVOCI-Designated Equity	14	312	14	539

The fair value calculations have been made based on an analysis of the assets and liabilities in the company's latest audited accounts. The variations in fair value by 5% are shown below:

# NOTES SUPPORTING THE BALANCE SHEET

	Potential variation in fair value	Value as at 31 March 2023	Potential value on increase	Potential value on decrease
	(+/-)	£000	£000	£000
Investors in Lincoln	5%	335	352	317
Hoople Ltd	5%	204	214	193

Value of Financial Assets and Financial Liabilities Carried at Amortised Cost - Measured Using Level 2 Inputs -Other Significant Observable Inputs.

Except for those financial assets classified as fair value and shown on the Balance Sheet as such, all other financial liabilities and financial assets are classified at amortised cost, including long term debtors and creditors; and are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2023 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and long term investments 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 (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 - Fair Value Hierarchy Measurement:	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	448,335	577,937	437,913	379,227
Non PWLB Debt (Long Term > 12 Months)	20,587	27,071	20,696	18,328
PWLB Debt (Short Term < 12 Months)	8,448	10,874	10,422	9,038
Long-Term Creditors & Other Long Term Liabilities	3,221	3,221	4,326	4,326
Short-Term Creditors & Other Short Term Liabilities	96,836	96,836	84,908	84,908
<b>Total Financial Liabilities at Amortised Cost</b>	<b>577,427</b>	<b>715,939</b>	<b>558,265</b>	<b>495,827</b>

Where the fair value is less than the carrying amount, this is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than

# NOTES SUPPORTING THE BALANCE SHEET

the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain based on economic conditions at the Balance Sheet date arising from a commitment to pay interest to lenders below current market rates. Where the fair value is more than the carrying amount, the opposite is true. i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans.

The change in fair value from 31 March 2022 to 31 March 2023 reflects the significant increase in market rates over this period which has resulted in the Fair Value of loans being significantly lower than the previous year. This highlights the fact that market interest rates are now generally higher than the fixed rates loans within the Council's portfolio.

The fair value of the PWLB Debt shown above is calculated using the PWLB New Borrowing Concessionary rates available at the 31 March 2023. However, if the Council were to repay any of this PWLB Debt early at this time, then the PWLB would calculate the Fair Value of this debt using a set of Early Redemption rates. The fair value calculated on this basis would be £447,347k, some £59,082k higher than the market fair value stated above. This represents the penalty charge by the PWLB of redeeming the loans early to cover the additional interest that would no longer be paid if that were the case.

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 - Fair Value Hierarchy Measurement:	£'000	£'000	£'000	£'000
Investments (Long Term > 12 Months)	7,365	7,351	721	713
Investments (Short Term < 12 Months)	255,767	255,767	179,940	179,940
Long-Term Debtors	2,689	2,689	3,112	3,112
Short-Term Debtors	38,240	38,240	52,439	52,439
<b>Total Financial Assets at Amortised Cost</b>	<b>304,061</b>	<b>304,047</b>	<b>236,212</b>	<b>236,204</b>

The fair value is greater than the carrying amount, when the Council's portfolio of long term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain. Where estimated rates available for similar loans at the Balance Sheet date are higher than the Council's long term investments, the opposite is true.

At the Balance Sheet date, the Council's Long Term Investments at fixed rates of interest were similar to market rates and hence the fair value is very close to the carrying amount of the investments at 31 March 2023.

There has been no change to the valuation technique or the Hierarchy Level of these financial instruments during the year.

# NOTES SUPPORTING THE BALANCE SHEET

## d) Nature and Extent of Risks Arising from Financial Instruments and How the Authority Manages Those Risks

### 1) Key Risks

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.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### 2) 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 laid down in a legal framework set out in the Local Government Act 2003 and 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 approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - maximum and minimum exposures to the maturity structure of its debt.
  - its management of interest rate exposure.
  - maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy and a capital strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's treasury financial instrument exposure and its capital strategy, which outlines the same for the non-treasury financial instruments the Council makes, such as loans to third parties for service reasons. Actual performance is also reported quarterly to Councillors.

# NOTES SUPPORTING THE BALANCE SHEET

Treasury management policies are implemented by a central treasury management team. 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 its Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Risk related to non-treasury related investments is managed by setting appropriate Prudential Indicators limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given default of a particular loan after an assessment of expected credit loss is made.

### 3) Expected Credit Loss

Calculation of expected credit losses held on all financial assets held at amortised cost is a way of assessing the credit risk for investments held and is a requirement under IFRS9. 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.

The Council recognises expected credit losses on either a 12 month, for when risk of default remains low and is not expected to increase, or on a lifetime basis, where risk of default is high or expected to increase significantly. Expected credit loss can be transferred between the two categories over the life of the investment given changes to its risk profile.

Where the counterparty for a financial asset is central government or a local authority, for which relevant statutory provision prevent default, then no loss allowance is required or recognised. The Council has set a de minimus limit of £0.025m, below which the expected credit loss is not recognised.

The Council has a portfolio of different types of loans measured at amortised cost. Where possible, losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis.

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

Type of Collective Investment Group	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Group 1 - Treasury Investments - Loans made to highly credit rated counterparties under the credit analysis followed within the Councils Investment Strategy.	Low Risk	12 Months	Historical Default Table issued by Credit Rating Agencies to determine probability of default per credit rating and length of investment.



# NOTES SUPPORTING THE BALANCE SHEET

Type of Collective Investment Group	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Group 2 - Loans to Third Parties for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms. *(1)
Group 3 - Loans to Council owned Companies for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms.

\*(1) Loans to companies in financial difficulties for service reasons will be deemed fifty percent credit impaired on origination which will be factored into the amortised cost of the loan. The impairment will be charged to the service upon recognition and amortised over the life of the loan to recognise the high risk of default on the loan. The level of impairment will continue to be assessed over the life of the loan and adjusted accordingly, as financial circumstances to the companies in question dictate. The expected credit loss on these loans will be made on the amortised cost of the loans after any impairment charged.

Total expected credit loss on the Councils Financial Assets calculated using the above model and changes during the year are shown in the table below:

Expected Credit Losses By Collective Investment Group	Group 1	Group 2	Group 3	Total
	Treasury Investments 12 Month	Third Party Loans Lifetime	Council Owned Company Loans Lifetime	
	£'000	£'000	£'000	
Opening Balance at 1 April 2022	32	0	0	32
New Financial Assets Purchased	29	0	0	29
Financial Assets Derecognised	(32)	0	0	(32)
Expected Credit Loss Balance at 31 March 2023	29	0	0	29

No change in risk assessment for any investment from 12 Month to Lifetime has been made during the year. No modifications of contractual cash flows have been made during the year which impacts credit losses. No investments have been impaired.

#### 4) Credit Risk Exposure

The Council has the following exposure to credit risk from its Financial Assets:

- i. Treasury Related Financial Instruments:

# NOTES SUPPORTING THE BALANCE SHEET

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

Minimum Acceptable Long-Term Credit Rating	Bank or Building Society: A Money Market Fund: AAA UK Government: Not Applicable
Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted)	AA-

The following analysis summarises the Council's treasury investments at the reporting date by the long-term credit rating and resulting probability of default % (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made; and hence shows its potential exposure to credit risk at the reporting date.

	Probability of Default %	Amount at 31 March 2022		Amount at 31 March 2023	
		£'000	%	£'000	%
AAA Rated Counterparties	0.039%	25,325	8.81%	62,850	25.89%
AA Rated Counterparties	0.028%	83,439	29.03%	75,100	30.93%
A Rated Counterparties	0.044%	162,172	56.42%	73,330	30.20%
Other Counterparties (*1)	0.011%	16,500	5.74%	31,500	12.97%
<b>Total Treasury Investments</b>		<b>287,436</b>	<b>100%</b>	<b>242,780</b>	<b>100.00%</b>

(\*1) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however, represent low credit risk to the Council and are exempt from the Expected Credit Loss requirements.

At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council has not received nor expects any losses/defaults from the non-performance by any of its counterparties in relation to its investments.

During the reporting period the Council held no collateral as security for its investments.

## ii. Non-Treasury Related Financial Instruments:

Loans made to benefit service-related reasons are higher risk because credit worthiness and liquidity is not normally the prime consideration in making the loans.

# NOTES SUPPORTING THE BALANCE SHEET

Risk related to non-treasury related investments is managed by setting an appropriate Prudential Indicator limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given the default of a particular loan, after an assessment of the worst case expected credit loss is made. The limit set is 10%.

The Council also has a policy for approval of loans to third parties that requires different level of approval depending on the size of loan required.

The Council's exposure to non-treasury related investments made are shown in the table below:

	Risk Level	Amount at 31 March 2022		Amount at 31 March 2023	
		£'000	%	£'000	%
Transport Connect Ltd - LCC Company	Medium	150	14.69%	0	0.00%
Loans to Academies - Government 3rd Party	Exempt	871	85.31%	731	100.00%
<b>Total Non-Treasury Related Investments</b>		<b>1,021</b>	<b>100.00%</b>	<b>731</b>	<b>100.00%</b>

### iii. Trade Debt:

The Council does not generally allow credit for its customers. However, there is one exception to this where there is an agreed policy in relation to care home fees to allow credit with an attachment over property.

The overdue, but not impaired, amounts of the Council's customers at 31 March 2023 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2022		Amount at 31 March 2023	
	£'000	%	£'000	%
Less than 3 months	4,360	55.24%	4,565	40.91%
3 months to 1 year	2,849	36.10%	5,120	45.89%
More than 1 year	683	8.66%	1,473	13.20%
<b>Total Outstanding Debt</b>	<b>7,892</b>	<b>100.00%</b>	<b>11,158</b>	<b>100.00%</b>

### 5) Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need. The Public Works Loan Board 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 Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and

# NOTES SUPPORTING THE BALANCE SHEET

investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

## 6) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Long term risk to the Council relates to managing the exposure to replacing longer term financial instruments (debt and investments) as they mature.

The approved prudential indicator limits for the maturity structure of debt and the limits for investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategists address the main risks and the central treasury team address the operational risks within the approved parameters. These include:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Council's debt and investments at the reporting date are shown in the table below:

	Approved Maximum Limit	Approved Maximum Limit	31 March 2022	31 March 2023
Debt Outstanding - Financial Liabilities	%	£'000	£'000	£'000
Less than one year	25%	123,045	12,244	14,170
Between one and two years	25%	123,045	10,561	8,566
Between two and five years	50%	246,091	21,455	24,465
Between five and ten years	75%	369,136	38,242	26,867
Between ten and fifteen years	100%	492,181	24,000	29,000
Between fifteen and twenty-five years	100%	492,181	34,439	29,439
Between twenty-five and thirty-five years	100%	492,181	138,109	156,110
Between thirty-five and forty-five years	100%	492,181	157,000	154,000
Maturing in more than forty-five years	100%	492,181	45,000	30,000
<b>Total</b>			<b>481,050</b>	<b>472,617</b>

# NOTES SUPPORTING THE BALANCE SHEET

	Approved Maximum Limit	Approved Maximum Limit	31 March 2022	31 March 2023
Investments Outstanding - Financial Assets	%	£'000	£'000	£'000
Less than one year	100%	362,045	281,352	245,446
Between one and two years	11%	40,000	6,521	41
Between two and three years	11%	40,000	67	57
Maturing in more than three years	11%	40,000	1,089	1,162
<b>Total</b>			<b>289,029</b>	<b>246,706</b>

All trade and other payables are due to be paid in less than one year. Trade debtors and creditors are not shown in the table above.

## 7) Market Risk

### i. 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. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on Provision of Services Account will rise.
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances).
- investments at variable rates – the interest income credited to the Surplus or Deficit on Provision of Services Account will rise; and
- investments at fixed rates – the fair value of the assets will fall. (No impact on revenue balances however the Balance Sheet will be affected for those investments measured at fair value).

Borrowings and Loans measured at amortised cost are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings or fixed rate amortised loans would not impact on the Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on Provision of Services and affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price and measured at fair value will be reflected in the Other Comprehensive Income and Expenditure Statement.

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 limits for fixed and variable interest rate exposure. The central treasury team monitor markets and forecast interest

# NOTES SUPPORTING THE BALANCE SHEET

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.

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.463m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

	Amount at 31 March 2023 £'000
Financial Impact of the Interest Rate Risk	
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,463
Impact on Income and Expenditure Account	1,463

The impact on the fair value of the Council's long term fixed borrowings and long-term fixed investments from a one percentage point movement in average rates is shown below:

	Fair Value 31 March 2023	Fair Value at 1% Higher	Fair Value at 1% Lower
	£'000	£'000	£'000
County Council	406,015	353,215	474,095
Schools	578	560	596
<b>Total Long Term Fixed Borrowing:</b>	<b>406,593</b>	<b>353,775</b>	<b>474,691</b>
Treasury Investments	0	0	0
Non Treasury Investments	713	690	736
<b>Total Long Term Fixed Investments:</b>	<b>713</b>	<b>690</b>	<b>736</b>

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/ assumptions as outlined on page 77 under "Value of Financial Assets and Financial Liabilities Carried at Amortised Cost".

## ii. Price Risk

The Council, excluding the pension fund, as part of its treasury operations does not generally invest in equity shares or in property/multi asset funds classified as Fair Value through Profit and Loss, and is therefore not exposed to losses arising from movements in the price of shares.

The Council does however have a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln, 100 shares (£1 par value) in a company called ESPO

# NOTES SUPPORTING THE BALANCE SHEET

trading Ltd and 3 shares in a company called Hoople Ltd (£1 par value). All of these holdings are non-treasury investments held for Service benefit reasons. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As these 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 shares are not actively traded in an open market and the values of holdings at year end are calculated using discounted cash flow techniques (enterprise method).

The shares have been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

### iii. 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.

## NOTE 20. DEBTORS

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Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year, but the income has not yet been received.

Debtors are initially recognised and measured at fair value of the consideration payable in the accounts. Most debtors are considered to be contractual, and these are then subsequently measured at amortised cost.

If settlement is over a year this is accounted for as long-term debtor. When considering the amortised cost of long-term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long-term debtor will be used as a proxy for amortised cost.

For estimated manual debtors, a de minimis level of £25k for individual revenue items and £50k for capital items is set.

# NOTES SUPPORTING THE BALANCE SHEET

31 March 2022		31 March 2023
£'000	Short Term Debtors	£'000
13,309	Trade Receivables	15,654
5,467	Prepayments	16,912
55,254	Other Receivable Amounts	62,427
74,030	Total	94,993

31 March 2022		31 March 2023
£'000	Long Term Debtors	£'000
422	Trade Receivables	689
2,139	Prepayments	2,158
129	Other Receivable Amounts	266
2,690	Total	3,113

All figures included in the table above are shown net of any expected credit losses.

## NOTE 21. ASSETS HELD FOR SALE

These are assets held by the Council which are planned to be disposed of. They meet the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- the sale must be highly probable (with management commitment to sell and active marketing of the asset initiated).
- it must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year.

Depreciation is not charged on non-current assets held for sale.

	2021/22	2022/23
	£'000	£'000
Balance outstanding at 1 April	1,821	2,285
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,010	495
Assets declassified as held for sale:		
- Assets Sold	(1,546)	(775)
Balance Outstanding at 31 March	2,285	2,005



# NOTES SUPPORTING THE BALANCE SHEET

- a) Measurement. Non-Current Assets Held for Sale are revalued immediately before reclassification to Held for Sale and then measured at the lower of carrying value and fair value, less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).
- b) Disposal. Receipts from disposals are recognised in the Surplus or Deficit on provision of services. Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years. These receipts are transferred from the General Fund Balance via the Movement in Reserves.

## NOTE 22. 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 held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council will classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short-Term Investments.

	31 March 2022	31 March 2023
	£'000	£'000
Cash held by the authority	623	(356)
Bank current accounts	(69,385)	(98,887)
Total	(68,762)	(99,243)

Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. Where a bank overdraft is assessed as part of the Council's cash management it will be included within Cash and Cash Equivalents.

## NOTE 23. CREDITORS

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Creditors are recorded where goods or services have been supplied to the Council by 31 March, but payment is not made until the following financial year.

Creditors are initially recognised and measured at fair value in the accounts. If payment is deferred to over a year, this is accounted for as a long-term creditor. When considering the amortised cost of long-term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long-term creditors will be used as a proxy for amortised cost.

For estimated manual creditors, a de minimis level of £25k for individual revenue items and £50k for capital items is set.

31 March 2022		31 March 2023
£'000	Short Term Creditors	£'000
(44,613)	Trade Payables	(43,907)
(75,769)	Other Payables	(66,098)
(120,382)	Total	(110,005)

31 March 2022		31 March 2023
£'000	Long Term Creditors	£'000
(3,221)	Trade Payables	(4,326)
(3,221)	Total	(4,326)

## NOTE 24. PROVISIONS

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The Council sets aside provisions for future expenses where:

- a past event has created a current obligation (legal or constructive) to transfer economic benefit.
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The County Council's accounting policy on provisions includes a de-minimis of £250k.

# NOTES SUPPORTING THE BALANCE SHEET

Provisions are charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council has an obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months). Provisions are recognised and 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.

The below table shows an analysis of short and long-term provisions:

	Balance at 1 April 2022	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
<b>Short Term Provisions:</b>					
- Insurance Claims	(4,140)	(53)	315	1,917	(1,961)
- Business Rates Appeals	(2,163)	0	68	0	(2,095)
- Voluntary Overtime Provision	(415)	0	0	0	(415)
- Home Care Travel Costs Provision	(300)	0	0	300	0
- Ordinary Residence Provision	(500)	0	0	500	0
	(7,518)	(53)	383	2,717	(4,471)
<b>Long Term Provisions:</b>					
- Insurance Claims	(1,959)	(3,582)	937	0	(4,604)
	(1,959)	(3,582)	937	0	(4,604)
<b>Total</b>	<b>(9,477)</b>	<b>(3,635)</b>	<b>1,320</b>	<b>2,717</b>	<b>(9,075)</b>

The Insurance provision represents all known and anticipated claims under the excess clauses of the Council's external insurance policies. This is reviewed annually by an Actuary and adjusted accordingly, but the Council cannot be certain as to when claims will be resolved. Material risks which are met by the Council under current insurance policies are shown below:

Type of Insurance	Each Claim	Maximum for all such claims
	£'000	£'000
Public and employer's liability	500	4,500
School property	150	500
Other property	10	100

# NOTES SUPPORTING THE BALANCE SHEET

The Business Rates Appeal provision has been created because the Council, under the current funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the Council is liable for 10% of any provision for business rates appeals against rateable valuations. The Council cannot be certain as to when any appeals will be resolved.

The Voluntary Overtime Provision represents an estimate of Voluntary Overtime which could be taken into account for the determination of holiday pay. The Council is aware of a potential claim and if this progresses it could also impact on other affected areas.

The Home Care Provision represents an estimate for payment of a proportion of the contract value due to underutilisation. The Council cannot be certain as to when this issue will be resolved.

The Ordinary Residence Provision has been created for a dispute of Ordinary Residence and Liability to Pay. The Council is aware of a potential case currently under dispute and so cannot be certain as to when any decision will be made.

## NOTE 25. OTHER LONG-TERM LIABILITIES

31 March 2022		31 March 2023
£'000		£'000
(7,817)	Outstanding Liabilities on PFI and Finance Leases	(6,931)
(867,001)	Net Pension Liability	(268,742)
(874,818)	Total	(275,673)

## NOTE 26. PRIVATE FINANCE INITIATIVES (PFI) AND SIMILAR CONTRACTS

The Council has one PFI scheme for the provision of seven separate schools across the County which is classified as a Service Concession Arrangement.

Service Concession Agreements are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided

# NOTES SUPPORTING THE BALANCE SHEET

under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

## Lincolnshire - Schools PFI Arrangement

### a) Background.

On 27 September 2001 Lincolnshire County Council entered into a 31-year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the county. The school sites were completed, and became operational, on a phased basis, as shown in the following table:

Buildings: Description	Occupied from
Sleaford St Botolph's County Primary	Sept 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sept 2003
Athena School (The Sincil School, Lincoln)	Mar 2006
Greenfields Academy (was The Phoenix School, Grantham)	Sept 2003
Woodlands Academy (was The Lady Jane Franklin School, Spilsby)	Sept 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

### b) Property, Plant and Equipment Held under the PFI Contract.

The table below shows the non-current assets held by the Council, and the movement in their values during 2022/23. These assets are included in the non-current assets shown in Note 15 Property, Plant and Equipment.

## NOTES SUPPORTING THE BALANCE SHEET

	Land & Buildings		Furniture & Equipment	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Balance at 1 April:	11,171	12,642	66	45
Additions	113	140	3	45
Revaluations	1,672	6,022	0	0
Depreciation	(314)	(436)	(24)	(19)
<b>Net Book Value at 31 March</b>	<b>12,642</b>	<b>18,368</b>	<b>45</b>	<b>71</b>

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

### c) Liabilities Outstanding under the PFI Contract – Finance Lease Element.

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2022/23:

2021/22		2022/23
£'000	PFI Lease Liability	£'000
8,496	Liability as at 01 April:	7,632
(864)	Principal Repayments	(878)
<b>7,632</b>	<b>Liability as at 31 March</b>	<b>6,754</b>

### d) PFI Contract Liabilities.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The following table shows a breakdown of the estimated contract costs over the remaining life of the PFI contract, split into the different elements of the total cost.

# NOTES SUPPORTING THE BALANCE SHEET

	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2023/24	755	462	2,548	3,765
Payable between 2024-25 and 2026-27	2,299	1,085	7,627	11,011
Payable between 2027-28 and 2029-30	2,879	483	7,532	10,894
Payable between 2030/31 and 2032/33	821	70	4,727	5,618
<b>Total Committed Liabilities as at 31 March 2023</b>	<b>6,754</b>	<b>2,100</b>	<b>22,434</b>	<b>31,288</b>

## e. School Assets.

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status (now called Woodlands Academy). A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is treated as a finance lease in accordance with the Council's Accounting Policies on Leases and Accounting for Schools. The figures shown in Section d above include £1.019m of principal lease liability and £0.316m of interest liability that relate to the Lady Jane Franklin School.

On 1 March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is treated as a finance lease in accordance with the Council's Accounting Policies on Leases and Accounting for Schools. The figures shown in Section d above include £1.025m of principal lease liability and £0.319m of interest liability that relate to the Phoenix School.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This lease is treated as a finance lease in accordance with the Council's Accounting Policy of School Assets. The figures shown in Section d above include £1.116m of principal lease liability and £0.347m of interest liability that relate to St Botolph's County Primary School.

## NOTE 27. LEASES

### Lincolnshire County Council as Lessee

#### i) Finance Leases

The Council has acquired the following assets under finance leases:

- Land and Buildings:
  - County Farms – the Council holds a small number of holdings under lease which are then sub-let as part of the County Farms Estate.

# NOTES SUPPORTING THE BALANCE SHEET

- Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.
- Vehicles, Plant, Furniture and Equipment. The following amounts are included within tangible fixed assets Note 15 for the Property, Plant and Equipment held under finance leases.

	2021/22	2022/23
Land and Buildings	£'000	£'000
Balance at 1 April:	16,352	16,216
Additions	18	275
Revaluations	286	77
Depreciation	(571)	(599)
Derecognition	0	(144)
Reclassifications	131	0
<b>Net Book Value at 31 March</b>	<b>16,216</b>	<b>15,825</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years.

	2021/22		2022/23	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
Land and Buildings:	£'000	£'000	£'000	£'000
Not later than one year	8	11	8	11
Between one year and not later than five years	38	58	39	57
Later than five years	140	245	131	234
<b>Total Committed Liabilities as at 31 March</b>	<b>186</b>	<b>315</b>	<b>178</b>	<b>302</b>

## ii) Operating Leases

The Council has acquired the following assets under operating leases:

- Land and Buildings. The Council leases various properties for use in delivering services. The rentals paid during 2022/23 amounted to £1.517m (£1.055m in 2021-22).
- Vehicles, Plant, Furniture and Equipment. The Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £2.017m in 2022/23 (£2.471m in 2021/22).

As at 31 March 2023, the Council is committed to making payments of £8.813m under operating leases, comprising of the following elements:



# NOTES SUPPORTING THE BALANCE SHEET

2021/22		2022/23
£'000		£'000
2,163	Not later than one year	1,819
3,544	Between one year and not later than five years	3,583
3,698	Later than five years	3,411
9,404	Total Committed Liabilities as at 31 March	8,813

## Lincolnshire County Council as Lessor

### i) Finance Leases

The Council has granted a small number of long-term leases for Adult Care properties, a Children's Centre, and a Heritage site, which are accounted for as finance leases. Buildings leased at academy sites are also treated as finance leases. There are no significant lease payments and no debtors.

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2023 the minimum payments expected to be received under non-cancellable sub-leases was £11.483m (£11.435m in 2021/22).

The Council does not acquire assets specifically for the purpose of letting under finance leases.

### ii) Operating Leases

The Council acts as lessor (landlord), mainly for the County Farms estate and received income from tenants of £1.857m in 2022/23 (£2.134m in 2021-22). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.164m in 2022/23 (£1.562m in 2021-22).

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

2021/22		2022/23
£'000		£'000
2,633	Not later than one year	2,854
5,926	Between one year and not later than five years	6,815
10,657	Later than five years	11,282
19,217	Total future minimum lease payments receivable	20,951

## NOTE 28. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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### Teachers' Pension Scheme.

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the County Council paid £17.257m to the administrators of the TPS in respect of Employer's pension contributions. The Council's contribution rate to the teacher's pension fund is 23.68%. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £3.892m in 2022/23 and have an on-going liability to the Council.

### National Health Service Pension Scheme (NHSPS).

The majority of staff that transferred to the Council from the Health Authority as part of Public Health and Children Services have remained in the National Health Service Pension Scheme (NHSPS).

The Scheme is a defined benefit scheme. However, the Scheme is unfunded, and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the Council paid £0.800m to the administrators of the NHS Pension Scheme in respect of employer contributions. This was made of £0.732m of employer's contributions to the scheme at a contribution rate of 14.38% together with a lump sum contribution of £0.068m in 2022/23.

## NOTE 29. DEFINED BENEFIT PENSIONS SCHEMES

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Participation in Pension Schemes.

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

The Council participates in two post-employment schemes:

i. Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefits final salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The Council paid employer's contributions of £31.704m (£32.560m in 2021/22) into the Lincolnshire Pension Fund in 2022/23, based on 17.5% of scheme employees' pensionable pay and a lump sum payment of £10.890m (£9.540m in 2021/22).

Under the Council's early retirement policy, additional contributions of £0.942m (£0.676m in 2021/22) were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £5.502m (£5.525m in 2021/22). Further information can be found on pages 158 to 204 and in the Council's Pension Fund Annual Report which is available on request.

Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of its Pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee - see the list in the Pension Fund statements on page 176.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in Note 43 Accounting Policies on page 128.

# NOTES SUPPORTING THE BALANCE SHEET

## ii. Fire-fighters' (Uniformed) Pension Scheme (FPS)

In 2022/23 the Council paid employer's contributions of £6.000m (£6.600m in 2021/22) to the Lincolnshire Fire and Rescue Pension Fund.

There are currently three schemes: the 1992 and 2015 schemes, where the employer contribution rate is 21.7% and the 2006 scheme, where the contribution rate is 12%. A further £0.910m (£3.386m in 2021/22) was paid in respect of ill health retirements and £0.487m (£0.476m in 2021/22) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 155 to 157.

Transactions Relating to Post-Employment Benefits (IAS 19 Retirement Benefits accounting entries).

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the DLUHC government grant.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

# NOTES SUPPORTING THE BALANCE SHEET

a. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Local Government Pension Fund as at 31 March 2023:

2021/22				2022/23		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
1,427,398	0	1,427,398	Fair value of employer assets	1,574,063	0	1,574,063
0	(2,114,466)	(2,114,466)	Present value of funded liabilities	0	(2,071,915)	(2,071,915)
0	(85,773)	(85,773)	Present value of unfunded liabilities	0	(77,349)	(77,349)
1,427,398	(2,200,239)	(772,841)	Opening position as at 31 March	1,574,063	(2,149,264)	(575,201)
			<u>Service cost:</u>			
0	(87,986)	(87,986)	Current service cost	0	(56,024)	(56,024)
0	(1,255)	(1,255)	Past service costs (including curtailments)	0	(803)	(803)
(3,145)	6,362	3,217	Effect of settlements	(566)	590	24
(3,145)	(82,879)	(86,024)	Total Service Costs	(566)	(56,237)	(56,803)
			<u>Net Interest:</u>			
22,704	0	22,704	Interest income on planned assets	60,226	0	60,226
0	(37,255)	(37,255)	interest cost on defined benefit obligation	0	(58,681)	(58,681)
22,704	(37,255)	(14,551)	Total net Interest	60,226	(58,681)	1,545
19,559	(120,134)	(100,575)	Total defined benefit cost recognised in CIES	59,660	(114,918)	(55,258)
			<u>Cash flows:</u>			
10,478	(10,478)	0	Plan participants' contributions	11,312	(11,312)	0
42,594	0	42,594	Employer contributions	47,209	0	47,209
5,525	0	5,525	Contributions re unfunded benefits	5,502	0	5,502
(52,917)	52,917	0	Benefits paid	(58,622)	58,622	0
(5,525)	5,525	0	Unfunded benefits paid	(5,502)	5,502	0
155	47,964	48,119	Total Cash Flows	(101)	52,812	52,711
1,447,112	(2,272,409)	(825,297)	Expected closing position	1,633,622	(2,211,370)	(577,748)

# NOTES SUPPORTING THE BALANCE SHEET

2021/22				2022/23		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
			<u>Remeasurements:</u>			
0	71,803	71,803	Changes in demographic assumptions	0	0	0
0	50,448	50,448	Changes in financial assumptions	0	901,349	901,349
0	(12,985)	(12,985)	Other experience	0	(181,655)	(181,655)
140,830	0	140,830	Return on assets excluding amounts included in net interest	(68,738)	0	(68,738)
0	0	0	Changes in asset ceiling	(136,250)		(136,250)
140,830	109,266	250,096	Total remeasurements recognised in OCI	(204,988)	719,694	514,706
1,574,063	0	1,574,063	Fair value of employer assets	1,563,722	0	1,563,722
0	0	0	Impact of asset ceiling	(136,250)	0	(136,250)
0	(2,071,915)	(2,071,915)	Present value of funded liabilities	0	(1,427,472)	(1,427,472)
0	(77,349)	(77,349)	Present value of unfunded liabilities	0	(63,042)	(63,042)
1,574,063	(2,149,264)	(575,201)	Closing position as at 31 March	1,427,472	(1,490,514)	(63,042)

Analysis of the Remeasurements recognised in Other Comprehensive Income:

Remeasurement of the net assets/ (defined benefit)	Year to 31/3/22	Year to 31/3/23
Return on Fund assets in excess of interest	140,830	(68,738)
Other actuarial gains/losses on assets	(12,854)	0
Change in financial assumptions	50,448	901,349
Change in demographic assumptions	71,803	0
Changes in effect of asset ceiling	0	(136,250)
Experience gain/losses on defined benefit obligation	(131)	(181,655)
<b>Remeasurement of the net assets/ (defined liability)</b>	<b>250,096</b>	<b>514,706</b>

# NOTES SUPPORTING THE BALANCE SHEET

b) Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Fire-fighters Pension Fund as at 31 March 2023:

The current service cost shown in the table below includes the cost for both the non-injury benefits and injury benefits. This is split £5.000m for the non-injury benefits and £0.700m for the injury benefits. The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £7.200m for the non-injury benefits and £0.700m for the injury benefits.

2021/22				2022/23		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
0	(285,600)	(285,600)	Present value of funded liabilities	0	(267,300)	(267,300)
0	(25,200)	(25,200)	Present value of unfunded liabilities	0	(24,500)	(24,500)
0	(310,800)	(310,800)	Opening position as at 31 March	0	(291,800)	(291,800)
			<u>Service cost:</u>			
0	(6,700)	(6,700)	Current service cost	0	(5,800)	(5,800)
0	(6,700)	(6,700)	Total Service Costs	0	(5,800)	(5,800)
			<u>Net Interest:</u>			
0	(6,200)	(6,200)	interest cost on defined benefit obligation	0	(7,900)	(7,900)
0	(6,200)	(6,200)	Total net Interest	0	(7,900)	(7,900)
0	(12,900)	(12,900)	Total defined benefit cost recognised in CI&ES	0	(13,700)	(13,700)
			<u>Cash flows:</u>			
1,500	(1,500)	0	Plan participants' contributions	1,500	(1,500)	0
6,600	0	6,600	Employer contributions	6,000	0	6,000
500	0	500	Contributions in respect of injury benefits	500	0	500
(8,100)	8,100	0	Benefits paid	(7,500)	7,500	0
500	(500)	0	Injury award expenditure	(500)	500	0
1,000	6,100	7,100	Total Cash Flows	0	6,500	6,500
1,000	(317,600)	(316,600)	Expected closing position	0	(299,000)	(299,000)

## NOTES SUPPORTING THE BALANCE SHEET

2021/22				2022/23		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Remeasurements:</b>			
0	(3,100)	(3,100)	Changes in demographic assumptions	0	(3,400)	(3,400)
0	(19,600)	(19,600)	Changes in financial assumptions	0	(102,100)	(102,100)
0	(2,100)	(2,100)	Other experience	0	12,200	12,200
0	(24,800)	(24,800)	Total remeasurements recognised in OCI	0	(93,300)	(93,300)
0	(267,300)	(267,300)	Present value of funded liabilities	0	(188,000)	(188,000)
0	(24,500)	(24,500)	Present value of unfunded liabilities	0	(17,700)	(17,700)
0	(291,800)	(291,800)	Closing position as at 31 March	0	(205,700)	(205,700)

Analysis of the present value of the defined obligation – Fire-fighters Scheme:

2021/22				2022/23		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
115,500	43.21%	24.8	Members	73,500	39.10%	24.3
16,100	6.02%	27.3	Deferred Members	9,400	5.00%	27.3
135,700	50.77%	12.6	Pensioners	105,100	55.90%	12.6
267,300	100.00%	18.8		188,000	100.0%	17.9
11,400	46.53%	24.7	Contingent injuries	7,300	41.24%	24.3
13,100	53.47%	12.6	Injury pension liabilities	10,400	58.76%	12.1
24,500	100.00%	18.0		17,700	100.0%	17.1



# NOTES SUPPORTING THE BALANCE SHEET

c) Pension Fund Assets Comprise.

The Local Government Pension schemes comprise the following assets:

Asset Class	Fair value of scheme assets							
	2021/22				2022/23			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b>Fixed Interest Government Securities</b>								
- UK	15,741	0	15,741	1.0%	12,667	0	12,667	0.8%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Total Fixed Interest Government Securities</b>	<b>15,741</b>	<b>0</b>	<b>15,741</b>	<b>1.0%</b>	<b>12,667</b>	<b>0</b>	<b>12,667</b>	<b>0.8%</b>
<b>Index Linked Government Securities</b>								
- UK	23,611	0	23,611	1.5%	20,173	0	20,173	1.3%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Total Index Linked Government Securities</b>	<b>23,611</b>	<b>0</b>	<b>23,611</b>	<b>1.5%</b>	<b>20,173</b>	<b>0</b>	<b>20,173</b>	<b>1.3%</b>
<b>Corporate Bonds</b>								
- UK	144,814	0	144,814	9.2%	144,493	0	144,493	9.2%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Total Corporate Bonds</b>	<b>144,814</b>	<b>0</b>	<b>144,814</b>	<b>9.2%</b>	<b>144,493</b>	<b>0</b>	<b>144,493</b>	<b>9.2%</b>
<b>Equities</b>								
- UK	247,128	0	247,128	15.7%	238,162	0	238,162	15.2%
- Overseas	621,755	0	621,755	39.5%	632,859	0	632,859	40.5%
<b>Total Equities</b>	<b>868,883</b>	<b>0</b>	<b>868,883</b>	<b>55.2%</b>	<b>871,021</b>	<b>0</b>	<b>871,021</b>	<b>55.7%</b>

## NOTES SUPPORTING THE BALANCE SHEET

Asset Class	Fair value of scheme assets							
	2021/22				2022/23			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Property								
- All	107,036	6,296	113,332	7.2%	95,859	21,267	117,126	7.5%
<b>Total Property</b>	<b>107,036</b>	<b>6,296</b>	<b>113,332</b>	<b>7.2%</b>	<b>95,859</b>	<b>21,267</b>	<b>117,126</b>	<b>7.5%</b>
Others								
- Hedge fund	3,148	44,074	47,222	3.0%	0	62,238	62,238	4.0%
- Private Equity	4,722	110,184	114,906	7.3%	0	120,098	120,098	7.7%
- Infrastructure	9,444	53,518	62,962	4.0%	0	60,987	60,987	3.9%
- Commodities	9,444	0	9,444	0.6%	0	0	0	0.0%
- Bonds	70,833	0	70,833	4.5%	75,374	0	75,374	4.8%
- Private Debt	0	15,741	15,741	1.0%	0	29,399	29,399	1.9%
- Other Diversified Alternatives	22,037	1,574	23,611	1.5%	0	469	469	0.0%
- Forward Currency Contracts	0	1,574	1,574	0.1%	0	3,909	3,909	0.2%
- Cash/Temporary Investments	59,814	0	59,814	3.8%	44,880	0	44,880	2.9%
- Debtors	1,574	0	1,574	0.1%	938	0	938	0.1%
- Creditors	0	0	0	0.0%	0	0	0	0.0%
<b>Total Other</b>	<b>181,017</b>	<b>226,665</b>	<b>407,682</b>	<b>25.9%</b>	<b>121,192</b>	<b>277,100</b>	<b>398,292</b>	<b>25.5%</b>
<b>Total Assets</b>	<b>1,341,102</b>	<b>232,961</b>	<b>1,574,063</b>	<b>100.0%</b>	<b>1,265,405</b>	<b>298,367</b>	<b>1,563,772</b>	<b>100.0%</b>

All scheme assets have quoted prices in active markets. The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The estimated return on scheme assets in the year was -2.39% (10.73% 2021/22).

# NOTES SUPPORTING THE BALANCE SHEET

## d. 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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, (Fire Fighters Pension scheme was assessed by Hymans Robinson) both independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2023.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2021/22	2022/23	2021/22	2022/23
Price Increases	3.2%	2.9%	3.20%	3.20%
Salary Increases	4.3%	3.9%	3.65%	3.20%
Pension Increases (CPI)	3.3%	2.9%	3.20%	2.95%
Discount Rate	2.6%	4.8%	2.70%	4.75%
Equity investments	10.7%	-2.39%	N/A	N/A

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2021 (fire fighters) and CMI 2021 (LGPS) model assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% p.a. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme. The CMI 2020 model takes into account the impact of the Coronavirus.

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	Years		Years	
	Male	Female	Male	Female
Current Pensioners	19.8	22.9	25.9	28.5
Future Pensioners (*1)	21.1	24.4	27.3	29.8

(\*1) Figures assume members aged 45 as at the last formal valuation.

# NOTES SUPPORTING THE BALANCE SHEET

## e. Sensitivity Analysis

The sensitivity analyses below have been determined based on reasonable 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 the 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 estimation in the sensitivity analysis has followed the accounting policies of 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 a previous period.

	£000	£000	£000	£000	£000
Adjustment to discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	1,381,824	1,467,669	1,490,514	1,513,949	1,614,004
Projected service cost	27,752	32,017	33,177	34,377	39,620
Adjustment to long term salary increases	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	1,498,736	1,492,132	1,490,514	1,488,909	1,482,618
Project service cost	33,284	33,198	33,177	33,155	33,069
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	1,596,675	1,512,746	1,490,514	1,468,835	1,387,331
Project service cost	39,789	34,393	33,177	32,001	27,590
Adjustment to life expectancy assumptions		+1 year	None	-1 year	
Present value of total obligation		1,556,050	1,490,514	1,428,106	
Projected Service cost		34,399	33,177	31,987	

# NOTES SUPPORTING THE BALANCE SHEET

## Fire Fighters' Pension Scheme

	Approximate Change to Employer Liability	Approximate monetary Amount
Change in assumptions in year ended 31 March 2023	%	£000
0.5% decrease in Real Discount rate	9.0%	19,335
1 year increase in member life expectancy	3.0%	6,171
0.5% increase in the Salary Increase Rate	<1%	693
0.5% increase in the Pension Increase Rate	8.0%	16,004

The Fire-fighters' pension arrangements have no assets to cover its liabilities.

The principle demographic assumption is the longevity assumption for the LGPS (i.e. member life expectancy). For sensitivity purposes, it's estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). There would be a similar increase in the Current Service costs of 3-5%.

### Asset and Liability Matching (ALM) Strategy.

The Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt-edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (56% of scheme assets) and Bonds (13%), absolute funds (16%). The scheme also invests in properties (8%), infrastructure (4%) and cash/temporary investments (3%) as a part of the diversification of the scheme's investments. The ALM strategy is monitored annually or more frequently if necessary.

# NOTES SUPPORTING THE BALANCE SHEET

## Impact on the Authority's Cash Flows.

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The 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. We are now working on the most recent triennial valuation. The scheme takes account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provided for scheme regulations to be made within a common framework, to establish career average revalued earnings schemes to pay pensions and other benefits.

f. Projected defined benefit cost for the period to 31 March 2024.

	Local Government Pension	Fire Fighters' Pension Scheme
Net (liability) /asset	£000	£000
Projected Current Service Cost	(34,346)	(1,800)
Total Net Interest Cost	(1,850)	(9,700)
Total included in Income and Expenditure	(36,196)	(11,500)

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2022/23. The authority expects to pay £44.061m in contributions to the LGPS in 2023/24.

# NOTES SUPPORTING THE CASH FLOW STATEMENT

## NOTE 30. OPERATING ACTIVITIES

The cash flow operating activities include the following items:

2021/22		2022/23
£'000		£'000
(1,321)	Interest received	(3,992)
18,994	Interest paid	20,764

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2021/22		2022/23
£'000		£'000
(83,675)	Depreciation	(91,727)
288	Impairment and downward valuations	(2,897)
(2,042)	Amortisation	(362)
(9,891)	Increase/decrease in Creditors	20,002
11,569	Increase/decrease in Debtors	22,348
334	Increase/decrease in Inventories	(27)
(57,600)	Movement in Pension Liability	(13,619)
(14,057)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,181)
1,749	Other non-cash items charged to the Net Surplus or Deficit on the Provision of Services	4,280
(153,325)	Net surplus/(deficit) on Provision of Services for non-cash movements	(67,184)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2021/22		2022/23
£'000		£'000
82,866	Capital Grants credited to Surplus or Deficit on the Provision of Services	87,139
5,226	Proceeds from sale of property, plant and equipment, investment property and intangible assets	4,332
1,645	Any other items for which the cash effects are investing or financing cash flows	1,855
89,737	Net surplus/(deficit) on Provision of Services for Investing & Financing activities	93,326

# NOTES SUPPORTING THE CASH FLOW STATEMENT

## NOTE 31. INVESTING ACTIVITIES

The cash flow investing activities include the following items:

2021/22		2022/23
£'000		£'000
143,334	Purchase of property, plant and equipment, investment property and intangible assets	148,053
1,100,316	Purchase of short-term and long-term investments	1,311,016
560	Other payments for investing activities	593
(5,226)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(4,332)
(1,173,332)	Proceeds from short-term and long-term investments	(1,353,338)
(84,879)	Capital Grants Received (Government)	(86,151)
624	Increase/(decrease) in impairment for bad debts	(1,926)
(2,205)	Other receipts from investing activities	(2,448)
(20,808)	Net cash flow from investing activities	11,466

## NOTE 32. FINANCING ACTIVITIES

The cash flow financing activities include the following items:

2021/22		2022/23
£'000		£'000
(34,500)	Cash receipts of short and long-term borrowing	(109)
871	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	885
45,631	Repayments of short and long-term borrowing	8,542
12,001	Net cash flow from Financing activities	9,318



# NOTES SUPPORTING THE CASH FLOW STATEMENT

## Reconciliation of Liabilities Arising from Financing Activities:

	2021/22	Financing cash flows	Non-cash changes		2022/23
	£'000		Acquisitions	Other	£'000
Long term borrowing	468,806	(10,359)			458,447
Short term borrowing	12,244	1,926			14,170
Lease liabilities	185	(7)	0	0	178
On Balance sheet PFI Liabilities	7,632	(877)	0	0	6,754
<b>Total liabilities from financing activities</b>	<b>488,867</b>	<b>(9,317)</b>	<b>0</b>	<b>0</b>	<b>479,548</b>

	2020/21	Financing cash flows	Non-cash changes		2021/22
	£'000		Acquisitions	Other	£'000
Long term borrowing	477,135	(8,329)			468,806
Short term borrowing	15,046	(2,802)			12,244
Lease liabilities	192	(7)	0	0	185
On Balance sheet PFI Liabilities	8,495	(863)	0	0	7,632
<b>Total liabilities from financing activities</b>	<b>500,868</b>	<b>(12,001)</b>	<b>0</b>	<b>0</b>	<b>488,867</b>

## NOTE 33. POOLED BUDGETS

Under Section 31 of the Health Act 1999 (superseded by Section 75 of the Health Act 2006), Lincolnshire County Council has entered into pooled budget arrangements.

The Council is the host Authority for the pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund (BCF) Section 75 is a stand-alone Section 75 for Sexual Health.

On 30th June 2022, Clinical Commissioning Groups (CCG) ceased and were replaced with Integrated Care Boards (ICB). Where reference is made to agreements and shared responsibility budgets with the CCG, this has now been replaced with the Lincolnshire Integrated Care Board (ICB).

### a) Proactive Care

The Proactive Section 75's primary purpose is to support delivery of prevention and early intervention strategies and to secure the necessary shift from acute to community provision. Performance against the key national targets around Non-Elective Admissions (NEA) and Delayed Transfers of Care (DTC) are crucial areas that the Board is responsible for reviewing.

2021/22		2022/23
£'000	Proactive Care	£'000
63,329	Gross Partnership Expenditure	65,337
(63,329)	Gross Partnership Income	(65,337)
0	(Surplus)/Deficit	0
43,993	Contribution from LCC	45,000

This was split across both Health and Social care expenditure in 2022/23. The funding was supporting post 30-day discharge, 7-day hospital working, neighbourhood team development and other early prevention and intervention strategies in order to assist the shift from acute to community provisions in 2022/23.

### b) Learning Disability

In 2001/02 a pooled budget Partnership Arrangement for the provision of Learning Disability (LD) services was established. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256's.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

2021/22		2022/23
£'000	Learning Disability	£'000
85,739	Gross Partnership Expenditure	89,289
(87,289)	Gross Partnership Income	(87,947)
(1,549)	(Surplus)/Deficit	1,342
59,694	Contribution from LCC	61,244

This commissioning strategy aims to ensure that eligible Adults with Learning Disability, Autism and/or Mental Health needs receive appropriate care and support that enables them to feel safe and live independently. Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS commissioners in Lincolnshire in addition to a small in-house element that sits outside the Section 75 agreement.

The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement. Specialist Adult Services finished 2022/23 with an underspend of £0.806m for the year.

The service has seen growth in Supported Living and Direct Payments costs from a combination of high-cost discharges from in-patient provision and school/college leavers requiring packages of care. Service user income has increased due to direct payment audit income being recovered from services not used during the Covid-19 pandemic and this has contributed towards the underspend achieved this year.

## c) Integrated Community Equipment Service (ICES)

From 1st April 2015 the Council entered into a Section 75 agreement for the provision of an Integrated Community Equipment Service (ICES).

2021/22		2022/23
£'000	Integrated Community Equipment Service	£'000
6,507	Gross Partnership Expenditure	2,781
(6,009)	Gross Partnership Income	(6,250)
498	(Surplus)/Deficit	(3,469)
2,877	Contribution from LCC	2,781

This is a 45%:55% shared responsibility budget between the Council and the Lincolnshire ICB and there is a risk share agreement regarding any under or overspends in year.

## d) Child & Adolescent Mental Health Services

In 2012/13 the Council and Lincolnshire ICB established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service (CAMHS). The size of this pooled budget increased from 2016/17 following variations made which incorporated additional functions into the Section 75 Agreement.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

CAMHS is designed to meet a wide range of mental health needs in children and young people. These include mild to moderate emotional well-being and mental health problems, as well as moderate, acute and severe, complex and/or enduring mental health problems or disorders that are causing significant impairments in their lives including: anxiety, depression, trauma, eating disorders and self-harm.

The service also provides a 24-hour, 7 day a week Crisis & Home Treatment Service to provide crisis intervention for young people actively displaying suicidal ideation or following suicide attempts, severe symptoms of depression with suicidal ideation, life threatening harm to self, harm to others as a result of a mental health concern, acute psychotic symptoms, or presentation of anorexia with severe physical symptoms.

A CAMHS Professional Advice Line is also available to help with uncertainty of whether to refer, or if help is needed on how to refer.

2021/22		2022/23
£'000	Child & Adolescent Mental Health Services	£'000
11,608	Gross Partnership Expenditure	14,050
(11,608)	Gross Partnership Income	(14,050)
0	(Surplus)/Deficit	0
725	Contribution from LCC	725

The figures within the CAMHS are made up mostly from the CAMHS activities but now also include promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2022/23, which also includes the LCC contribution of £725k.

## e) Sexual Health

During 2015/16 the Council jointly procured a new contract with NHS England to provide sexual health treatment and prevention services around the County. The new contract commenced on 1st April 2016 and includes provision for HIV services which are the responsibility of NHS England, as well as other treatment and preventative services which remain the responsibility of the Council. Whilst the Council is responsible for the contract, the funding is received from NHS England in respect of the HIV services. As such a Section 75 agreement has been agreed between the Council and NHS England.

2021/22		2022/23
£'000	Sexual Health	£'000
4,974	Gross Partnership Expenditure	5,040
(4,974)	Gross Partnership Income	(5,040)
0	(Surplus)/Deficit	(0)
0	Contribution from LCC	0

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## NOTE 34. MEMBERS ALLOWANCES

The Council paid the following amounts to Members of the Council during the year:

2021/22		2022/23
£'000		£'000
775	Basic Allowances	789
499	Special Responsibility Allowances	528
22	Expenses	39
1,296	Total	1,356

## NOTE 35. OFFICERS' REMUNERATION

### a) Officers' remuneration bandings

The table below shows the total number of staff employed by the Council whose actual remuneration exceeded £50,000 per annum, shown in £5,000 bands. Remuneration includes gross salary, expenses, monetary value of benefits in kind and termination payments for staff leaving during the year. In addition, the table also identifies the number of staff that left the Council receiving termination payments in the respective year.

2021/22		Pay Band	2022/23	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments		Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments
-	-	£150,000- £154,999	-	1
-	-	£135,000- £139,999	1	-
1	-	£130,000- £134,999	-	-
-	-	£125,000- £129,999	1	-
-	-	£120,000- £124,999	1	-
1	-	£115,000- £119,999	-	-
1	-	£110,000- £114,999	-	-
3	-	£105,000- £109,999	3	-
1	-	£100,000- £104,999	4	1
9	1	£95,000- £99,999	9	-
11	-	£90,000- £94,999	7	-
6	2	£85,000- £89,999	9	-
10	-	£80,000- £84,999	17	1
18	-	£75,000- £79,999	32	-
40	-	£70,000- £74,999	40	-
39	-	£65,000- £69,999	67	-
95	-	£60,000- £64,999	82	-
114	1	£55,000- £59,999	135	1
192	1	£50,000- £54,999	227	-
541	5	Total	635	4

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The table above excludes all employees who are included within the Senior Officer Remuneration table under section b.

A breakdown of the numbers between schools and other services can be found in the following table:

2021/22				Pay Band	2022/23			
Number of Staff					Number of Staff			
Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments			Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments	
Schools	Other Services	Schools	Other Services		Schools	Other Services	Schools	Other Services
-	-	-	-	£150,000- £154,999	-	-	-	1
-	-	-	-	£135,000- £139,999	-	1	-	-
-	1	-	-	£130,000- £134,999	-	-	-	-
-	-	-	-	£125,000- £129,999	-	1	-	-
-	-	-	-	£120,000- £124,999	1	-	-	-
1	-	-	-	£115,000- £119,999	-	-	-	-
-	1	-	-	£110,000- £114,999	-	-	-	-
-	3	-	-	£105,000- £109,999	-	3	-	-
-	1	-	-	£100,000- £104,999	2	2	-	1
2	7	-	1	£95,000- £99,999	2	7	-	-
3	8	-	-	£90,000- £94,999	2	5	-	-
3	3	-	2	£85,000- £89,999	5	4	-	-
4	6	-	-	£80,000- £84,999	6	11	-	1
8	10	-	-	£75,000- £79,999	11	21	-	-
18	22	-	-	£70,000- £74,999	13	27	-	-
16	23	-	-	£65,000- £69,999	24	43	-	-
35	60	-	-	£60,000- £64,999	38	44	-	-
42	72	-	1	£55,000- £59,999	45	90	-	1
74	118	-	1	£50,000- £54,999	75	152	-	-
206	335	0	5	Total	224	411	0	4

## b) Senior Officers' Remuneration

The Accounts and Audit Regulations (England) 2015 requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

Senior Officers with a salary over £150,000	Year	Salary	Employer's Pension Contribution	Total
		£	£	£
<b>Job Title</b>				
Deborah Barnes - Chief Executive	2022/23	191,808	33,566	225,374
	2021/22	189,883	33,230	223,113

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Senior Officers with a salary over £50,000 and less than £150,000	Year	Salary	Employer's Pension Contribution	Total
		£	£	£
Executive Director of Adult Care & Community Wellbeing	2022/23	141,370	24,740	166,110
	2021/22	139,445	24,403	163,848
Executive Director of Children's Services	2022/23	149,370	33,476	182,846
	2021/22	139,445	33,021	172,466
Deputy Chief Executive (from 2022/23) and Executive Director of Resources	2022/23	163,492	28,611	192,103
	2021/22	139,445	24,403	163,848
Executive Director - Commercial	2022/23	0	0	0
	2021/22	139,445	24,403	163,848
Executive Director - Place	2022/23	141,370	24,740	166,110
	2021/22	139,445	24,403	163,848
Chief Fire Officer	2022/23	124,574	35,112	159,686
	2021/22	108,818	28,768	137,586
Director of Public Health	2022/23	139,273	20,027	159,300
	2021/22	129,015	18,552	147,567

Salary includes any bonuses, taxable expenses and compensation for loss of employment. These are nil for the current financial year.

Any Other Emoluments includes the profit element of car hire, medical insurance, special fees, and taxable lease mileage.

All Senior Officers are members of the Local Government Pension Scheme (LGPS) aside from the Director Public Health, who is a member of the National Health Service Pension Scheme (NHSPS), and the Chief Fire Officer, who is a member of the Fire Pension Scheme (FPS).

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## NOTE 36. EXIT PACKAGES

The numbers of exit packages with total cost (redundancy, pension strain and other payments) per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£	£
£0 - £20,000	31	13	11	21	42	34	£347,274	£301,393
£20,001 - £40,000	5	2	8	17	13	19	£372,753	£537,457
£40,001 - £60,000	4	0	4	5	8	5	£411,124	£249,856
£60,001 - £80,000	0	1	2	2	2	3	£141,832	£204,764
£80,001 - £100,000	2	0	3	1	5	1	£413,590	£88,144
£100,001 - £250,000	1	1	2	5	3	6	£369,119	£758,735
<b>Total</b>	<b>43</b>	<b>17</b>	<b>30</b>	<b>51</b>	<b>73</b>	<b>68</b>	<b>£2,055,692</b>	<b>£2,140,348</b>

Redundancy, pension strain and other payments are presented in this note in the year that payment is made or accrued (at the point in time when an individual employee is committed to leave the Council). Provisions for redundancy, pension strain and other payments are not included within this note as they represent costs which are committed, but where specific individuals have not yet been identified.

Details of the actual costs included within the Council's Income and Expenditure for redundancy, pension strain and other payments are set out in Note 37 Termination Benefits. The difference between the values reported in this note and those within

Termination Benefits arise due to provisions and any variances between year-end accruals and the actual payments made in the next financial year.

## NOTE 37. TERMINATION BENEFITS

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example, when there is a formal plan for



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the 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.

As a result of further reductions to local government funding, the County Council is undertaking a review and reshaping of services. In 2022/23 the Council has incurred liabilities of £2.138m (£2.054m in 2021/22) in relation to termination benefits.

- £1.196m for redundancy payments (£1.318m in 2021/22); and
- £0.942m for pension strain and additional pension awards (£0.736m in 2021/22).

Further information on termination benefits can be found in Note 36 on Exit Packages which details the number of exit packages and total cost over bands and Note 29 on Defined Benefit Pension Schemes which details the effect termination benefits have had on pensions in 2022/23.

## NOTE 38. EXTERNAL AUDIT COSTS

The Council has incurred the following fees in relation to external audit and inspection work:

	2021/22	2022/23
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	119	95
Fees payable to the Appointed Auditor for other services	19	9
<b>Total</b>	<b>138</b>	<b>104</b>

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## NOTE 39. DEDICATED SCHOOLS GRANT

The Council's expenditure on Schools is funded primarily by grant monies provided by the Education and Skills Funding agency (ESFA). The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget as defined in the School and Early Years Finance (England) Regulations 2022. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained School.

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Schools Budget funded by Dedicated Schools Grant			
Final DSG for 2022/23 before Academy and High Needs recoupment			679,866
Academy and High Needs Figure recouped for 2022/23			(395,476)
Total DSG after Academy and High Needs recoupment for 2022/23			284,390
Plus: Brought Forward from 2021/22			13,013
Less: Carry Forward to 2023/24 agreed in advance			0
Agreed Initial Budgeted Distribution in 2022/23	153,935	143,468	297,403
In Year Adjustments	148	(379)	(231)
Final Budget Distribution for 2022/23	154,083	143,089	297,172
less: Actual central expenditure	(138,060)	0	(138,060)
less: Actual ISB deployed to schools	0	(143,089)	(143,089)
plus: Local Authority Contribution 2022/23	0	0	0
In year carry forward 2023/24	16,023	0	16,023
plus: Carry forward to 2023/24 agreed in advance	0	0	0
Carry forward to 2023/24	16,023	0	16,023
DSG unusable reserve at the end of 2021/22			0
Addition to DSG unusable reserve at the end of 2022/23			0
Total of DSG unusable reserve at the end of 2022/23			0
Net DSG position at the end of 2022/23			16,023

The Individual Schools Budget includes school's contingency. For the purposes of the deployment of the grant, ISBs are deemed to be spent once allocated. School balances can be seen elsewhere in the Financial Statements in Note 14 Earmarked Reserves.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

	Central Expenditure	Individual Schools Budget	Total
Schools Budget funded by Dedicated Schools Grant	£'000	£'000	£'000
Final DSG for 2021/22 before Academy and High Needs recoupment			643,628
Academy and High Needs Figure Recouped for 2021/22			(376,199)
Total DSG after Academy and High Needs Recoupment for 2021/22			267,429
Plus: Brought Forward from 2020/21			11,879
Less: Carry Forward to 2021/22 agreed in advance			0
Agreed Initial Budgeted Distribution in 2021/22	134,791	144,517	279,308
In Year Adjustments	2,309	(2,908)	(599)
Final Budget Distribution for 2021/22	137,100	141,609	278,709
less: Actual central expenditure	(124,085)	0	(124,085)
less: Actual ISB deployed to schools	0	(141,609)	(141,609)
plus: Local Authority Contribution 2021/22	0	0	0
In year carry forward 2022/23	13,015	0	13,015
plus: Carry forward to 2022/23 agreed in advance	0	0	0
Carry forward to 2022/23	13,015	0	13,015
DSG unusable reserve at the end of 2020/21			0
Addition to DSG unusable reserve at the end of 2021/22			0
Total of DSG unusable reserve at the end of 2021/22			0
Net DSG position at the end of 2021/22			13,015

## NOTE 40. RELATED PARTIES

The Council is required to disclose transactions with other bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by it. Disclosure of these transactions allows readers to make an informed assessment on how much the Council might have been restricted to operate independently or how it might have limited the other bodies' or individuals' ability to bargain freely.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## Central Government.

Central government has effective control 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. council tax bills). Further details of the grants received by the Council are set out in Note 8 Taxation and Non-Specific Grant Income and Grant Income.

## Councillors and Senior Officers.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid during 2022/23 are shown in Note 34.

The Chief Executive and those reporting directly to her may also be able to influence Council policy. Therefore, accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary interests (for Officers).

Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours, or on-line on the Council's website. All Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

During 2022/23 the following have been declared:

## Councillors.

7 councillors have not returned a related party form this financial year. Information from other sources has been used for these Councillors.

28 councillors' or their immediate families have provided goods/services to the council to the value of £0.315m. The council did not receive any income from these related parties.

46 councillors' or their immediate families associated with public bodies that provided goods/services costing £25.795m, the council has also received £6.782m in income from these related parties.

22 councillors are associated with voluntary bodies which provided goods/services to the council at zero value. The council did not receive any income from these related parties.

## Chief Officers.

4 Chief Officers have declared related parties with the Council, none of these related parties have any transactions with the Authority this financial year.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## c) Other Public Bodies.

The Council has entered into Pooled Budget arrangements which are shown in Note 33 with Lincolnshire Clinical Commissioning Groups for Specialties including Learning Disabilities, Integrated Community Equipment, Proactive Care, Discharge Fund, and Child & Adolescent Mental Health Service, which are all included within a framework schedule to summarise and share the risk. Outside of this schedule there is also a pooled budget for Sexual Health.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £0.254m (£0.257m in 2021/22) was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £1.579m (£0.199m in 2021/22) on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

The Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the Clinical Commissioning Groups (CCGs) / Integrated Commissioning Board (ICB). The Council paid £6.357m (£5.565m in 2021/22) acting as an agent of the CCGs in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the CCGs / ICB. On 1 July 2022 NHS Lincolnshire CCG changed to NHS Lincolnshire ICB.

Lincolnshire County Council (LCC) acts as the Accountable Body for the Greater Lincolnshire Local Enterprise Partnership (GL LEP). The GL LEP is a Company limited by guarantee and no financial transactions are made by the GL LEP directly as all transactions are made through the Accountable Body. GL LEP does not enter into transactions in its own name, nor record any in GL LEP Company accounting records.

## d) Entities Controlled or Significantly Influenced by the Council.

The authority controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. The Council has provided a revolving credit facility of up to £500,000 at an interest rate of 3.5% over Bank of England base rate. The outstanding balance of this facility was zero at 31 March 2023 (£150,000 as at 31 March 2022).

Transport Connect Ltd is a teckal company and as such at least 80% of its turnover has to come from the Council. The turnover for the year ending 31 March 2023 is £3.933m (2021/22: £3.669m), of which £3.594m :98% (2021-22: 98%) came from the Council.

The Council owns four further subsidiary companies: Lincolnshire Future Limited, Lincolnshire County Property Limited, Legal Services Lincolnshire (Trading) Limited, and EMPSN Infrastructure Limited. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited - neither of these two companies had started trading by 31 March 2022. Legal Services Lincolnshire (Trading) Limited was created during 2019/20 and

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

has now received a licence to trade from the Solicitors' Regulation Authority but had not started trading as at 31 March 2023.

## e. Other Public Bodies.

The Council acquired a nominal share in Hoople Limited during the year. Hoople Limited is a teckal company and is classed as a related party of the Council. The nature of the relationship between the Council and Hoople Limited is such that the conditions are not met for Hoople Limited to be treated as either a joint venture or an associate of the Council. The Council paid Hoople £0.753m in 2022/23 (£1.447m 2021/22) with no income transactions from Hoople Limited.

## NOTE 41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the financing of the £197.785m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2022/23 expenditure is provided in the Narrative Report, with details of the asset acquired.

* Restated 2021/22		2022/23
£'000		£'000
624,299	Opening Capital Financing Requirement	645,995
	<u>Capital Investment:</u>	
147,798	Property, Plant and Equipment	158,268
453	Investment Property	515
36	Intangible Assets	0
47,406	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	39,002
	<u>Sources of Finance:</u>	
(5,226)	Capital Receipts	(4,332)
(5,905)	Use of Capital Receipts Reserve	0
(97,803)	Government Grants and Contributions	(89,658)
(10,879)	Government Grants and Contributions funding REFCUS	(7,574)
	<u>Sums set aside from Revenue:</u>	
(15,466)	Direct Revenue Contributions	(34,906)
(12,540)	Minimum Revenue Provision	(20,694)
(26,177)	Voluntary Revenue Provision	(9,343)
645,995	Closing Capital Financing Requirement	677,273
21,696	Movement in Year:	31,277
	Explanation of movement in year:	
21,698	Increase in underlying need to borrow (unsupported by government financial assistance)	31,277
21,698	Increase/(Decrease) in Capital Financing Requirement	31,277

\*The 2021/22 Opening Balance has been Restated by £0.101m to reflect 2017 expenditure posted into the 2016 financial year, this has been done to bring Note 41 in line with the Capital Financing Requirement.

In line with our policy on Minimum Revenue Provision, we have made a Voluntary Revenue Provision in 2022/23, which was funded by an underspend on capital financing charges and by a drawdown from the capital financing charges earmarked reserve. The total amount of Voluntary Revenue Provision made is £48.006m, of which £9.363m was made in 2022/23, £26.177m made in 2021/22 and the remainder made in 2008/09 and 2009/10.

## NOTE 42. CONTINGENT LIABILITIES

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A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de minimis level for disclosing Contingent Liabilities of £500k.

At 31 March 2023 the Council has the following material contingent liabilities:

### a. Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. Previously it was expected that only the liabilities for employers' liability remained, due to a significant increase in disease related claims particularly relating to hearing loss. However, this has since changed because in the past financial year we have received details of public liability claims for this period linked to historic abuse. No claim is likely to exceed £500,000 individually for the period affected by independent's period of insurance. It should be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) continues to be reported there is a possibility that claims under

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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the Public Liability policy will still be submitted. The position is independently reviewed annually by the insurance reserve actuary to ensure that reserves are sufficient to cover total liability.

Municipal Mutual Insurance Limited (MMI), the Council's insurer for employers and public liability ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This did not occur, and the Scheme was triggered on 1 January 2014, when the Scheme Administrator announced a Levy on Scheme Creditors of 15% on all claims payments made by MMI since September 1993, less the first £50,000. A further levy of 10% was then applied in April 2016. This results in a requirement of a total of 25% of future claim payments to be self-insured. There had been an expectation that the levy might be increased further but with the accounts in June 2017 there was a slight improving position and accordingly no further levy has yet been announced. Again, as part of the annual review by the insurance actuary consideration to the exposure is considered as a part of the reserves recommendation.

From 1st April 2013 there are no longer insurance provisions in place for conditions caused by the exposure to asbestos or the Legionella Bacterium, for employees or the public. However, the Council has stringent policies and procedures in place to minimise the exposure to either of these risks.

## b. Deepings Leisure Centre

South Kesteven District Council has handed back the Deepings Leisure Centre to Lincolnshire County Council due to a large repairing liability. It is currently assumed that the building can be sold, but if it is not then LCC would need to spend an estimated £1.5m on the demolition of the leisure centre.

## NOTE 43. STATEMENT OF ACCOUNTING POLICIES

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### 1. General Principles and Concepts.

The Statement of Accounts summarises the Council's transactions for the financial year 2022/23 and the position at the year ended 31 March 2023. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and supported by International Financial Reporting Standards and statutory guidance.



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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

## 2. Changes in Accounting Policies.

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

## 3. Prior period adjustments – estimates and errors.

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error.
- for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

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

Property, Plant and Equipment are assets that have a physical substance and are:

- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one period.

### Classification

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

Operational Assets:

- Land and Buildings.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- Vehicles, Plant, Furniture and Equipment.
- Infrastructure Assets; and
- Community Assets.

Non-Operational Assets:

- Surplus Assets; and
- Assets under Construction.

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land, which together form a single integrated highways network.

Community Assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life, and which may, in addition, have restrictions on their disposal. They largely comprise of open land. They are classified as operational assets in that their use provides or supports the relevant services of the Council. Community Assets include, for example, countryside parks and beaches and sandhills.

Recognition.

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that:

- it is probable that future economic benefits associated with the item will flow to the entity; 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 authority does not capitalise borrowing costs incurred while assets are under construction. The cost of an asset 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 authority). In the latter case, where an asset is acquired via

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

**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:

## Operational Assets

- **Infrastructure Assets, Community Assets and Assets under Construction** are measured at depreciated historic cost. Where historic cost information is not known for Community Assets these have been included in the Balance Sheet at a nominal value. Highways infrastructure assets are generally measured at depreciated historical cost, however this is a modified form of historical cost – opening balances for highways Infrastructure Assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- **Property Assets** – Land and Buildings are measured at current value for their service potential, which is determined as the amount that would be paid for the asset in its existing use (existing use value or EUV). Property Assets – Land and Buildings where there is no market-based evidence of fair value because of the specialist nature of the asset and because the type of asset is rarely sold, are measured at depreciated replacement cost (DRC). Such specialised assets include schools and fire stations, as well as the building and equipment used for the Energy from Waste plant.
- **Vehicles, Plant and Equipment** are measured at current value. These are determined as having relatively short useful economic lives and/or relatively low values and historic cost is used as a proxy for current value.

## Non-Operational Assets

- **Surplus Assets** are measured at fair value, which is estimated at highest and best use from a market participant's perspective. This is the price that would be received to sell an asset, or paid to transfer the liability, in an orderly transaction between

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

market participants at the measurement date. The Council uses the assumptions that the market participants, i.e. buyers and sellers in the principal or most advantageous market, would use when pricing an asset or liability under current market conditions, including assumptions about risk. Therefore, the Council's reasons for holding a surplus asset are not relevant when measuring its fair value.

- **Assets Under Construction** which are not yet operational, are measured at historic cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach,
- **All Other Assets** – current value, determined as the amount that would be paid for the asset in its existing use (EUV).

The Council values Property, Plant and Equipment using the basis recommended by CIPFA in the Accounting Code of Practice and in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards, the RICS Valuation – Global Standards 2017 and RICS Guidance Notes.

Assets included in the Balance Sheet at current value are revalued 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. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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 line(s) 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.

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period.
- evidence of obsolescence or physical damage of an asset.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- a commitment by the Authority to undertake a significant reorganisation.
- a significant change in the statutory environment in which the Authority operates.

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.

Where impairment losses are identified, they are accounted for by:

- 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 of revaluation gains for the asset in the Revaluation Reserve, or an insufficient balance in the Revaluation Reserve, or the asset is not revalued as it is measured at historic cost; the carrying amount of the asset is written down to the recoverable amount and the amount written down is charged against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

## Componentisation of Non-Current Assets.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has identified the following significant components within the property portfolio:

- Depreciated Replacement Cost (DRC) assets (including fire stations, schools, libraries, and museums where the building is of a specialised nature): land, structures, services, roof, and externals.
- Office Accommodation/Administrative Buildings: land; structures, services, roof, and externals.
- Other market value and existing use value assets (including economic regeneration units): land and buildings.
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## 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:

- **Operational Buildings** are depreciated over their useful life. For buildings which are held at existing use value (EUUV) a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost (DRC) basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight-line basis.
- **Infrastructure Assets.** Depreciation is provided on the parts of the highways network of infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Useful lives of the various parts of the highways network are assessed by the Council's Highways Engineers using industry standards where applicable as follows:
  - 1-4 years for capital pothole filling.
  - 6-12 years for carriageway surface dressing and slurry sealing.
  - 20 years for carriageways Primary Road Network (PRN) & Non PRN.
  - 20 years for Bus infrastructure.
  - 20 years for footways/cycleways.
  - 20 years for Public Right of Way (PROW).
  - 20 years for street furniture.
  - 20 years for Traffic Management
  - 40 years for street lighting, kerbs, and drains.
  - 60 years for major road structures (i.e. sub base, underpasses).
  - Up to 120 years for bridge structures.
- Furniture and Non-Specialist Equipment is depreciated over a period of 5 years, on a straight line basis.
- Vehicles, Plant, and Specialist Equipment (including computing equipment) are depreciated over their estimated useful lives. Currently these vary depending on the nature of the asset, from 3 years to up to 25 years for solar panels.
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their estimated useful lives. These range from 70 years for civils (including building structures) to 10 years for instrumentation, control and automation (ICA) assets.
- Surplus Assets are depreciated in line with the relevant operational asset class.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- No depreciation is charged on Land or on Assets Under Construction.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Depreciation of an asset begins the year the asset becomes available for use. The charge is for 6 months in the first year, for twelve months every year thereafter and ceases when the asset has been derecognised. There is a full year's depreciation in the year of disposal.

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 revalued 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 or deficit on the 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 disposals (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 £10k are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment (or set aside to reduce the authority's underlying need to borrow). Receipts are appropriated to the Capital Receipts Reserve from the General Fund

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

balance in the Movement in Reserves Statement. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years, subject to the flexibility described in the next paragraph. Disposal proceeds below £10k are credited to the Comprehensive Income and Expenditure Statement.

Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003, capital receipts can also be used to fund revenue expenditure that is designed to generate on-going revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018. The Local Government Finance Settlement for 2018/19 announced a continuation of these rules for a further 3 financial years that begin on 1 April 2019, 2020 and 2021. There is a further 3 years extension from 2022/23. The Council did not use this flexibility in either 2020/21 or 2021/22 i.e. capital receipts have not been applied to fund revenue transformation expenditure in these years.

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

**Derecognition associated with asset enhancements.**

When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a proxy and indexed back to an original cost with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

**Derecognition associated with fully depreciated assets measured at historic cost.**

For assets subject to depreciation which are carried at historic cost e.g. Equipment, de-recognition takes place in the year after an asset has been fully depreciated. This represents the end of an asset's useful life.

Ordinarily, Infrastructure Assets components of the highways network are derecognised in the year following the year in which they reach the end of their useful economic lives. At this point the carrying amount in the Balance Sheet is nil as the components are fully depreciated. When a component of the network is disposed of or decommissioned before the end of its useful economic life e.g. due to an impairment, the carrying amount of the component 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 or loss on disposal. The written-off amounts of disposals are not a charge against council tax, as the



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement. For Infrastructure Assets, no replacement of any part of an asset takes place before that component has reached the end of its useful life, unless there has been an impairment.

## 5. Intangible Assets.

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance but are controllable by the Council and expected to provide future economic or service benefits. For the Council, the most common classes of intangible assets are computer software and software licences.

a) Recognition and Measurement. Intangible assets are recognised when it is likely that future benefits will flow to the Council and the cost of the asset can be reliably measured. Assets that qualify as intangible assets shall be measured and carried at cost in the absence of an active market to determine fair value.

The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

b) Subsequent Expenditure. Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation. The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases at the date that the asset is derecognised. There is a full year's amortisation in the year of disposal. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

The useful lives for intangible assets are between 1 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

d) Impairment. On an annual basis the ICT budget holder is asked to consider if any indicators of impairment exist for intangible assets held by the Council.

## 6. Charges to Revenue for the use of Non-Current Assets.

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- the annual provision for depreciation, attributed to the assets used by services.
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by a minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## 7. Minimum Revenue Provision.

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Council to set a Minimum Revenue Provision (MRP) which it considers to be prudent. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year.

For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009-10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for Major New Road Schemes, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council does not charge MRP for Major New Road Schemes until assets have become operational.

## 8. Revenue Expenditure Financed through Capital under Statute.

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

## 9. Borrowing Costs.

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred. This is current practice based on the fact

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

## 10. Classification of Leases.

Leases are classified as a finance lease or an operating lease, depending on the extent to which risks and rewards of ownership of a leased Property, Plant and Equipment lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the Council has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

- Finance Lease: A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.
- Operating Lease: All other leases are determined to be operating leases.

Where a lease covers both land and buildings, these elements are considered separately.

This policy on accounting for leased assets also includes contractual arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment.

### a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment will be recognised on the Balance Sheet at cost and depreciated on a straight line basis over the term of the lease (in line with the Council's capitalisation and depreciation policy for vehicles, plant and equipment).

ii) Lessee – Property will be recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.

Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

iii) Lessor – Property. When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010 will be treated as a capital receipt and removed from the General Fund Balance to capital receipts via the Movement in Reserves Statement.

The write off value of disposals is not a charge against council tax as the cost of non-current 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 via the Movement in Reserves Statement.

## b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment will be treated as revenue expenditure in the service revenue accounts in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment shall be retained as an asset on the Balance Sheet. Rental income is recognised on a straight line basis over the lease term, credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## c) Investment Property Leases (Lessee).

In line with IAS 40 'Investment Properties' any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

## 11. Government Grants and Contributions.

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied are carried in the Balance Sheet as creditors and are not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

## Capital Grants and Contributions (non-current assets).

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

- Capital grants where no conditions are attached to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement in the taxation and non-specific grant income line.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

- Capital grants where the conditions have not been met at the Balance Sheet date. The grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.
- Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

## Revenue Government Grants and Contributions.

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met, these grants will be held as creditors on the Balance Sheet.

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

(e.g. Revenue Support Grant) are credited to the Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement after Net Cost of Services.

## 12. Recognition of Revenue (Income).

Revenue is accounted for in the year it takes place, not simply when cash payments are received. The Council recognises revenue from contracts with service recipients, whether for services or the provision of goods, when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract.

Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

## 13. Costs of Support Services.

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

## 14. Value Added Tax (VAT).

The Council's Comprehensive Income and Expenditure Statement excludes VAT unless this is not recoverable from HM Revenue and Customs. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs. The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

## 15. Council Tax and Business Rates Income.

The collection of Council Tax and Business Rates is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax and Business Rates on behalf of the Council.

The Council Tax and Business Rates income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year-end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses, net of the impairment allowance for doubtful debts), creditors (prepayments, overpayments, and collection fund deficits), and provisions (business rate appeals).

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

## 16. Employee Benefits – Benefits Payable during Employment.

Benefits Payable During Employment – Short Term Benefits. These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages, and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on Council Tax.

Teacher Leave Accrual. The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

Long Term Benefits. These are amounts which are payable beyond 12 months. The Council does not have any material long term benefits to be declared within the Financial Statements.

## 17. Employee Benefits – Post Employment Benefits (Pensions).

The Council participates in four different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- Teachers' Pension Scheme: This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employers' contributions payable to teachers' pensions in the year are treated as expenditure on the Schools service line in the Comprehensive Income and Expenditure Statement.
- National Health Service Pension Scheme (NHSPS): This is a notional funded scheme administered nationally by NHS Pensions on behalf of the Department of Health and Social Care (DHSC). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. The employer's contributions payable to the NHSPS in the year are treated as expenditure in the



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Children's Services and Adult Care and Community Wellbeing service lines in the Comprehensive Income and Expenditure Statement.

- **Uniformed Firefighters Pension Scheme (FPS):** From 1 April 2015, a new pension fund for Firefighters was set up. This scheme replaced the 2006 & 1992 Firefighters schemes for new Firefighters. The 2015, 2006 and 1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into the three funds, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the funds at the end of each year will be repaid back to the Home Office. Contributions in respect of ill health retirements are still the responsibility of the Council.
- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

The pension costs included in the Statement of Accounts in respect of both the LGPS and the FPS have been prepared in accordance with IAS 19 Employee Benefits. The pension costs in respect of both the LGPS and FPS have been estimated by the Pension Fund actuary adviser and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

The Local Government Pension Scheme (LGPS).

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on long term UK Government bonds greater than 15 years.
- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid or last traded price.
  - unquoted securities – professional estimates.
  - unitised securities – current bid price.
  - property – market value.

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

- Service cost comprising:



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Budgets.
- net interest 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.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - 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 Lincolnshire 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 Authority 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 Pensions 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.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council's early retirement policy. These costs are charged to Other Budgets in the Comprehensive Income and Expenditure Statement.

18. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves. In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as 'maintained Schools').

Income and Expenditure - All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council's Comprehensive Income and Expenditure Statement.

Non-Current Assets - Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential is expected to flow".

If assets are owned by the Council or the governing body of the school or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet. Where a school transfers to Academy status and has signed a long term (125 year) lease, the school is removed from the Council's Balance Sheet.

Assets and Liabilities - All assets and liabilities, excluding non-current assets which are covered above, relating to maintained Schools are included within the Council's Balance Sheet.

Reserves - The Council maintains specific earmarked reserves for schools balances. At year end, balances from Dedicated Schools Budgets, including those held by schools under a scheme of delegation, are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's Scheme for Financing Schools approved by the Secretary of State for Education.

Any school with an overall cumulative deficit on its Dedicated Schools Grant (DSG) must produce a management plan detailing how it will return to a balanced position in the future. Accumulated deficits must be held in a Dedicated Schools Grant adjustment account rather than being charged to the General Fund. The Dedicated Schools Grant adjustment account is an unusable reserve. There is currently no accumulated deficit relating to schools' budgets funded by the Dedicated Schools Grant.

## 19. Group Relationships.

The Council assesses on an annual basis, relationships with other bodies to identify the existence of any group relationships. A de minimis level of £20.000m aggregated gross turnover has been set for determining whether or not group accounts will be prepared.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The Council has not identified and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

## 20. 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 and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable 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.

All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore, gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

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. Regulations state that the period to spread discounts is limited to a minimum period equal to the outstanding term on the replaced loan or 10 years if this is shorter. Premiums may be spread over the longer of the outstanding term on replaced loan or the term of the replacement loans, or a shorter period if preferred. The Council will spread premiums over the term that was remaining on the loan replaced and spread discounts in line with regulation. When matching premium and discounts together from a re-scheduling exercise, the Council's policy is to spread the gain/loss over a ten year period or the term that was remaining on the loan replaced if greater than ten years. The reconciliation of premiums/discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council receives interest free funding from Salix Finance as part of a revolving fund to finance energy saving projects (Soft Loans Receivables). The benefit of a loan to the Council

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

at a below-market rate of interest is treated as a grant or contribution receivable within the Comprehensive Income and Expenditure Statement. The benefit is measured as a difference between the cash actually advanced to the Council and the fair value of the loan on recognition, discounted at a comparable market rate of interest for a loan. The amortised cost of the loan in the Balance Sheet is reduced as the benefit has been stripped away. 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 Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans receivable or the benefit calculated by discounting of interest rates. Below this amount the above accounting treatment for soft loans receivable is not applied and the soft loan receivable is shown in the accounts at its carrying value.

**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 that financial assets are measured at:

- Amortised Cost
- Fair Value Through Profit or Loss (FVPL); and
- Fair Value Through Other Comprehensive Income (FVOCI).

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). These types of assets will be measured at fair value.

## Financial Assets Measured at Amortised Cost.

Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The following financial assets held by the Council are measured at amortised cost using an effective interest rate that takes account of other considerations attributable to the asset over its lifetime such as premiums paid, or interest forgone. Interest payable in the Surplus

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a smoothing effective interest rate basis over the life of the loan.

- Secondary Certificates of Deposit and Bonds - are purchased at an amount different to par and hence a price premium is usually incurred on purchase. The price of the instrument is the amortised cost at initial measurement (its fair value) debited to Investments on the Balance Sheet. This price premium is factored into the cash flows of the instrument over its life, that will result in a smoothing effective interest rate that when discounted will bring back cash flows to the price paid (initial measurement at fair value).

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally lower effective rate of interest than the rate receivable from the Instrument, with the difference serving to decrease the amortised cost of the loan in the Balance Sheet over its life.

Transaction costs paid to a custodian for purchasing these instruments are deemed as immaterial and hence charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when incurred, not included within the amortised cost calculation of the instrument.

- Soft Loans – The Council can make loans to third parties at less than market rates (soft loans) for service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service), 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 from the third party recipients of the loans, 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 Financial Instruments Adjustment Account in the Movement in 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.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The Council has set a £50k de minimis limit to the value of soft loans or the loss calculated by the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

## Expected Credit Loss Model – for Assets Measured at Amortised Cost.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) that are more than 30 days past the due date, held by the Council. These are individually assessed to determine whether or not the trade receivable (debtors) are likely to default on their obligations.

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.

Where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default, then no loss allowance is required or recognised.

Impairment losses will be charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services and credited to the Financial Assets at Amortised Cost Loss Allowance.

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at amortised cost, below which the impairment is deemed immaterial and not recognised.

The Council has a portfolio of a different types of loans measured at amortised cost. Where possible losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis.

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

- Group 1 – treasury investments governed by the Council's Annual Investment Strategy for Treasury Investments. These are loans made to highly credit rated counterparties under the credit analysis followed within the Investment Strategy. As such they are deemed low risk, so the 12 month Expected Credit Loss model is used. The Historical Default Table issued by Credit Rating Agencies and provided by the

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Council's Treasury Advisors is used to calculate the expected 12 month impairment losses.

- Group 2 – loans or soft loans to third parties for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the third party, the current financial position and financial forecasts of the third party and any history of defaults or extended credit terms. Due to the high-risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans (See \*Note below).
- Group 3 – loans to Council owned Companies for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms. Due to the high-risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans.

## \*Note

Where the Council makes loans to companies in financial difficulties to ensure continuation of vital services, fifty percent of the loan is thus deemed credit impaired on origination. This will mean that:

- as lifetime expected credit losses are taken into account in the cash flows used for calculating the effective interest rate, no loss allowance is needed on initial recognition.
- a loss allowance will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition.
- the annual impairment gain or loss will be the change in lifetime expected credit losses over the year.

## Financial Assets Measured at Fair Value through Profit or Loss (FVPL).

Financial assets held by the Council that fall into this category include Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) Money Market Funds.

Financial assets are measured at FVPL where they fail to meet the business model and principal or interest tests of the other two classifications. For the Council, financial assets under this category meet the business model of collecting contractual cash flows, but the cash flows are not solely payments of principal or interest, for example they include dividend payments.

These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. They are



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

instant access, whereby units of the fund are bought and sold, and dividends paid in accordance with daily yields returned, set at the end of each day. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, therefore generally the price of the fund (fair value) will equal the carrying amount of units held.

Financial assets 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, specifically within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance Sheet at its carrying value.

Statutory provision as defined in SI 2018/1207 means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to impairment or the sale of the asset. Instead that amount is charged to an account established solely for the purpose of recognising fair value gains and losses. The statutory provision has been extended to 31 March 2025. This statutory override will not be applicable for CNAV/LVNAV Money Market funds as gains and losses to fair value will be zero and will not impact on the revenue account.

Any gains and losses that arise on the 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.

Expected Credit Loss Model –For Assets Measured at Fair Value through Profit and Loss. The impairment requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relation to credit risk) impacting on the carrying amount being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI). Financial assets are measured at FVOCI when the business model for holding the asset includes collecting contractual cash flows and selling assets. The Council does not hold any financial assets that meet this definition.

In line with the Code however, the Council has decided to designate some small equity holdings in companies held for service reasons to the category of FVOCI instead of FVPL.



# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

This designation is irrevocable and deemed to be a reliable accounting policy for these financial assets, based on the following reasons:

- The holdings are equity instruments as defined by the Code to exclude puttable shares (e.g. those where the issuer has a contractual obligation to exchange the shares for cash if the holder exercises an option for the return of their investment).
- They naturally fall into the FVPL classification of investments.
- The shares are held for a clear service benefit and not held for trading.
- Future gains or losses are expected to be insubstantial.

Assets designated at FVOCI will be carried in the Balance Sheet at Fair Value, with dividends credited to the Surplus or Deficit on the Provision of Services when the right for the Council to receive the payment is established. Movements in fair value will be credited to the Other Income and Expenditure Account and released to the General Fund. The impact on the General Fund will be removed through Movement in Reserves Statement to the Financial Instruments Revaluation Reserve. Gains or losses will be charged directly to the General Fund via the Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance sheet at its carrying value.

## Expected Credit Loss Model – For Assets Measured at Fair Value through Other Comprehensive Income.

The Council recognises expected credit losses on financial assets measured at FVOCI either on a 12-month or lifetime basis depending on an individual assessment of the credit risk of each financial asset as follows:

Has credit risk increased significantly since initial recognition?

- No: 12-month credit loss model.
- Yes: lifetime credit loss model.
- No information available to assess: lifetime credit loss model.

Consideration will be made to external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms when assessing the credit risk of these assets.

Impairment losses will be charged to Other Comprehensive Income and Expenditure and credited to the Financial Instruments Revaluation Reserve.

Where financial assets have been designated into the FVOCI category they are outside the scope of impairment for the same reasons that FVPL assets are.

# OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at FVOCI, below which the impairment is deemed immaterial and not recognised.

## 21. Fair Value Measurement.

Some of the Council's non-financial assets, such as surplus assets and investment properties and some of its financial instruments, are measured at fair value. 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 following 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.

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest.

On fair value measurement, the Council takes into account the 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 the appropriate valuation techniques appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

For financial instruments measured in fair value (FVPL and FVOCI) is therefore based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access 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.

# LINCOLNSHIRE FIRE & RESCUE PENSION FUND 2022-23

2021/22		Note	2022/23
£'000	Fund Account		£'000
	Contributions Receivable:		
	<u>From employer:</u>		
(3,343)	Contributions in relation to pensionable pay	4	(3,333)
	<u>From members</u>		
(1,500)	Fire-fighters' contributions	4	(1,503)
	Transfers in:		
(80)	Individual transfers from other schemes from Local Authorities	7	(46)
	Benefits payable:		
6,215	Pensions	5	6,722
3,253	Commutations and lump sum retirement benefits	5	990
4,545	Sub Total Net amount payable before top-up grant		2,830
(4,545)	Top up grant receivable from sponsoring department	6	(2,830)
0	Net amount payable/receivable		0

31 March 2022		31 March 2023
£'000	Net Asset Statement as at:	£'000
	Current Assets:	
(2,207)	Amounts due from LCC	(424)
2,447	Pensions top up grant due	679
240	Total Current Assets	255
	Current Liabilities:	
(240)	Unpaid pension benefits	(255)
(240)	Total Current Liabilities	(255)
0	Total	0

## NOTE 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the pension fund therefore the Council's General Fund is shown as debtor/creditor in the net Asset Statement. The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 29 to the Council's Financial Statement shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

## NOTE 2. LINCOLNSHIRE FIRE AND RESCUE PENSION FUND ACCOUNT

The Fund was established at 1 April 2006 and now covers the 1992, 2006 and 2015 fire-fighters pension schemes (FPS). It was established by the Fire fighters Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810), amended by the Fire fighters Pension Scheme (England) Regulations 2014 and is administered by Lincolnshire County Council. From 1 April 2022, the 1992 & 2006 schemes have closed. All fire fighters who are in the pension scheme will be members of the FPS 2015 scheme. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

## NOTE 3. ACCOUNTING POLICIES

The Principal Accounting Policies are as follows:

### Contributions.

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the Home Office/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

No provision is made in the accounts for contributions on pay awards not yet settled.

### Benefits.

Benefits include recurring payments that are paid in advance of the month for which they relate. Lump Sum payments are paid as they become due. The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

### Transfer Values.

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

### Top up Grant.

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

## NOTE 4. CONTRIBUTION RATES

Under the Fire-fighters pension regulations, the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2022-23 the contribution rates for the 2015 scheme were a minimum of 39.8% of pensionable pay (28.8% employers and tiered contribution of 11.0% to 14.5% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters to be based on whole time equivalent pay for their role.

Contributions, by the employer for fire-fighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations. This also applies to protected rights whole time equivalent compensatory payments paid to retained firefighters who were employed from 6th April 2006 and who had been ill health retired due to a qualifying injury.

## NOTE 5. BENEFITS PAID

Lump sum and on-going pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

## NOTE 6. CENTRAL GOVERNMENT PENSION TOP UP GRANT

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department (Home Office) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the Home Office. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

## NOTE 7. TRANSFERS IN AND OUT

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

## Fund Account - For the year ended 31 March 2023

2021/22		Note	2022/23
£'000			£'000
	Contributions and Benefits		
(120,601)	Contributions Receivable	(6)	(135,108)
(7,977)	Transfers In From Other Pension Funds	(7)	(10,049)
(128,578)			(145,157)
101,369	Benefits Payable	(8)	105,863
6,236	Payments To and On Account of Leavers	(9)	8,661
107,605			114,524
(20,973)	Net (additions)/withdrawals from dealings with Fund Members		(30,633)
14,191	Management Expenses	(10)	13,745
(6,782)	Net (additions)/withdrawals including Management Expenses		(16,888)
	Returns on Investments		
(8,372)	Investment Income	(11)	(15,170)
(295,668)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	(12A)	12,511
17,444	(Profit)/Loss on Forward Foreign Exchange	(13)	30,180
(286,596)	Net Returns on Investments		27,521
(293,378)	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		10,633
(2,777,535)	Opening Net Assets of the Fund		(3,070,913)
(3,070,913)	Closing Net Assets of the Fund		(3,060,280)

## Net Asset Statement as at 31 March 2023

31 March 2022		Note	31 March 2023
£'000			£'000
1,182	Long Term Investment Assets	(12)	1,182
3,053,018	Investment Assets	(12)	3,033,643
(1)	Investment Liabilities	(12)	-
3,054,199	Total Net Investments		3,034,825
24,038	Current Assets	(19)	28,682
(7,324)	Current Liabilities	(20)	(3,227)
3,070,913	Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		3,060,280

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 18.

# LINCOLNSHIRE PENSION FUND 2022-23

## Notes to the Pension Fund Accounts

### Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

#### General.

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee, which is a committee of Lincolnshire County Council.

#### Membership.

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include: charitable organisations and similar not-for-profit bodies, or private contractors undertaking a local authority function following outsourcing to the private sector.

# LINCOLNSHIRE PENSION FUND 2022-23

There are 256 contributing employer organisations in the Fund including the County Council and just over 79,500 members as detailed below (information reported based on March processed data):

	31 March 2022	31 March 2023
Number of employers with active members	260	256
Number of employees in the Fund:		
- Lincolnshire County Council	9,525	10,140
- Other Employers	14,897	16,551
<b>Total</b>	<b>24,422</b>	<b>26,691</b>
Number of Pensioners:		
- Lincolnshire County Council	15,483	17,813
- Other Employers	8,053	9,418
<b>Total</b>	<b>23,536</b>	<b>27,231</b>
Number of Deferred Pensioners:		
- Lincolnshire County Council	16,731	16,659
- Other Employers	8,919	8,992
<b>Total</b>	<b>25,650</b>	<b>25,651</b>
<b>Total number of Members in the Scheme:</b>	<b>73,608</b>	<b>79,573</b>

## Funding.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2022/23 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2022/23 ranged from 16.3% to 35.5% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

## Benefits.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.



# LINCOLNSHIRE PENSION FUND 2022-23

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service between April 2008 and March 2014
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
	Automatic lump sum of 3/80 x salary.	No automatic lump sum.
Lump Sum	In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

## Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year end as at 31 March 2023.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounting policies set out below (at Note 3) have been applied consistently to all periods presented within these financial statements.

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

# LINCOLNSHIRE PENSION FUND 2022-23

Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.

On an annual basis, the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2023/24 the Code introduces the following changes to the accounting standards:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021; and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2023/24.

## Note 3. Significant Accounting Policies

Fund account – revenue recognition

a. Contributions income.

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all Funds which rise according to pensionable pay; and
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions, for example, in respect of early retirements, are accounted for in the year the event arose.

Any amount due in year but unpaid will be classed as a current financial asset.

# LINCOLNSHIRE PENSION FUND 2022-23

## b. Transfers to and from other schemes.

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

## c. Investment Income.

### i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

### ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### iv) Changes in the net market value of investments

Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year.

## Fund account – expense items

### d. Benefits payable.

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

### e. Taxation.

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments

# LINCOLNSHIRE PENSION FUND 2022-23

suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as part of the overall cost of transactions (e.g. purchase price).

## f. Management expenses.

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016), using the headings shown below. All items of expenditure are charged to the Fund on an accruals basis.

### i) Administrative expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### ii) Oversight and Governance

All staff costs associated with the governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with Morgan Stanley Investment Management Ltd (for the Private Markets Portfolio) that an element of their fee will be performance related.

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

# LINCOLNSHIRE PENSION FUND 2022-23

## Net assets statement

### g. Financial assets.

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL). Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Alternatives, private equity, property venture and infrastructure valuations are based on the most recent valuations provided by managers at the year-end date. Where more up-to-date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations are not produced by the manager at 31 March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

The investment in the LGPS asset pool, Border to Coast Pensions Partnership, is also carried at fair value. This has been classified as Fair Value through Other Comprehensive Income (FVOCI) rather than FVPL as the investment is a strategic investment and not held for trading.

### h. Foreign currency transactions.

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses arising from these transactions are treated as part of the change in the value of investments in the Fund Account.

# LINCOLNSHIRE PENSION FUND 2022-23

## i. Derivatives.

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Future value of forward currency contracts are based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using Northern Trust closing spot/forward foreign exchange rates on 31 March.

## j. Cash and cash equivalents.

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

## k. Financial liabilities.

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost, are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

## l. Actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is formally assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. At each year end, the promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 18).

## m. Additional voluntary contributions.

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC

# LINCOLNSHIRE PENSION FUND 2022-23

contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note for information (see Pension Fund Note 21).

## Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Fund is required to make judgements about complex transactions and the value of assets and liabilities where there is an element of uncertainty. Those with the most significant effect include:

- No investments are impaired (further detail on how the fund manages risk are set out in Note 16: Nature and Extent of Risks Arising from Financial Instruments).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 3: Significant Accounting Policies.

## Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table on the next page:

# LINCOLNSHIRE PENSION FUND 2022-23

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; salary and pension increases; changes in retirement ages; mortality rates; and expected returns on Fund assets. Details about the actuarial method and assumptions selected by the Fund's actuary, Barnett Waddingham, are set out in Pension Fund Note 18.</p> <p>At 31 March 2023 the present value of the total obligation was estimated by the actuary to be £2,849m.</p>	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <ol style="list-style-type: none"> <li>1) a 0.5% increase in the discount rate assumption would reduce future pension liabilities by c. £219m.</li> <li>2) a 0.25% increase in earnings inflation would increase the value of liabilities by c. £9m.</li> <li>3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c. £114m.</li> <li>4) a one-year increase in assumed life expectancy would increase the liability by c. £113m.</li> </ol>
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of valuation of these assets included at level three in the fair value hierarchy is +/-8%. This equates to a +/- £9.7m on a carrying value of £120.7m.
Level three investments (including Private Markets, Infrastructure, Other Property and Private Equity) (Note 14)	Private markets, infrastructure, other property and private equity are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>Level three investments at 31 March 2023 are valued at £450.3m in the financial statements. There is a risk that these investments may be under or overstated in the accounts.</p> <p>Private markets by +/-15% or £50.2m on a carrying value of £334.5m.</p> <p>Infrastructure by +/-15% or £10.3m on a carrying value of £68.5m.</p> <p>Property Venture by +/-18% or £7.4m on a carrying value of £41.2m.</p> <p>Private Equity by +/-23% or £1.4m on a carrying value of £6.1m.</p>



# LINCOLNSHIRE PENSION FUND 2022-23

## Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2021/22 £'000	2022/23 £'000
Employers		
Normal	68,777	77,979
Deficit Recovery Funding	26,595	29,532
Additional - Augmentation	1,498	823
Members		
Normal	23,651	26,661
Additional years	80	113
<b>Total</b>	<b>120,601</b>	<b>135,108</b>

These contributions are analysed by type of Member Body as follows:

	2021/22 £'000	2022/23 £'000
Lincolnshire County Council - Administering Authority	51,573	57,232
Scheduled Bodies	65,305	75,111
Admitted Bodies	3,723	2,765
<b>Total</b>	<b>120,601</b>	<b>135,108</b>

## Note 7. Transfers In From Other Pension Funds

	2021/22 £'000	2022/23 £'000
Individual transfers from other schemes	7,940	10,049
Group transfers from other schemes	37	-
<b>Total</b>	<b>7,977</b>	<b>10,049</b>

During 2021/22 Foxfields Academy, a member of C.I.T. Multi-Academy Trust transferred from the Leicestershire Pension Fund into the Lincolnshire Pension Fund. All assets and liabilities relating to Foxfields Academy have been transferred into the Lincolnshire Pension Fund.

There were no material outstanding transfers due to the Pension Fund as at 31 March 2023.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2021/22	2022/23
	£'000	£'000
Pensions	82,895	87,322
Commutations & Lump Sum Retirement Benefits	16,177	15,688
Lump Sum Death Benefits	2,297	2,853
<b>Total</b>	<b>101,369</b>	<b>105,863</b>

These benefits are analysed by type of Member Body as follows:

	2021/22	2022/23
	£'000	£'000
Lincolnshire County Council - Administering Authority	52,274	55,296
Scheduled Bodies	43,918	45,767
Admitted Bodies	5,177	4,800
<b>Total</b>	<b>101,369</b>	<b>105,863</b>

## Note 9. Payments To and On Account of Leavers

	2021/22	2022/23
	£'000	£'000
Individual transfers to other schemes	5,302	8,347
Group transfers to other schemes	667	-
Refunds to members leaving service	267	315
<b>Total</b>	<b>6,236</b>	<b>8,662</b>

During 2020/21 Stamford New College merged with Peterborough College. All assets and liabilities relating to Stamford New College have been transferred to the Cambridgeshire Pension Fund. The original asset transfer was based on estimated performance at 31 March 2021 and took place in 2020/21. The final transfer value, based on actual 31 March 2021 performance was made during 2021/22.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2023.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 10. Management Expenses

	2021/22	2022/23
	£'000	£'000
Administration Costs	1,189	1,386
Investment Management Expenses	12,201	11,445
Oversight and Governance Costs	801	914
<b>Total</b>	<b>14,191</b>	<b>13,745</b>

The statutory audit fee for the year was £0.023m (£0.019m in 2021/22). Known audit fee variations amounted to £0.006m (£0.006m in 2021/22).

A further breakdown of the investment management expenses is shown below:

2022/23	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	4,126	3,879	-	247
Unitised Insurance Policies	706	706	-	-
Unit Trusts	1,233	882	20	331
Other Managed Funds	5,103	2,924	1,869	310
Cash	1	-	-	1
	<b>11,169</b>	<b>8,391</b>	<b>1,889</b>	<b>889</b>
Custody Fees	276			
<b>Total</b>	<b>11,445</b>			

2021/22	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	3,421	3,105	-	316
Unitised Insurance Policies	533	533	-	-
Unit Trusts	1,846	1,742	19	123
Other Managed Funds	6,179	4,301	1,768	110
Cash	-	-	-	-
	<b>11,979</b>	<b>9,681</b>	<b>1,749</b>	<b>549</b>
Custody Fees	222			
<b>Total</b>	<b>12,201</b>			

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 11. Investment Income

	2021/22	2022/23
	£'000	£'000
Equities	339	179
Managed by Border to Coast:		
- Bonds	69	-
Unitised Insurance Policies		
- Global Equities	60	-
Unit Trusts:		
- Property	2,199	2,455
Other Managed Funds:		
- Property	294	703
- Infrastructure	2,891	4,199
- Private Markets	2,287	5,293
Interest on Cash Deposits	233	2,341
<b>Total</b>	<b>8,372</b>	<b>15,170</b>

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 12. Investments

	31 March 2022	31 March 2023
	£'000	£'000
Long Term Investments		
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
<b>Total Long Term Investments</b>	<b>1,182</b>	<b>1,182</b>
Investment Assets		
Pooled Investment Vehicles		
Managed by Border to Coast:		
- Global Equities	743,227	763,782
- UK Equities	477,827	462,066
- Multi Asset Credit	138,224	146,217
- Bonds	204,927	219,309
Unitised Insurance Policies:		
- Global Equities	464,046	463,892
- Bonds	150,282	124,858
Unit Trusts:		
- Property	193,810	140,502
Other Managed Funds:		
- Private Markets	465,138	466,582
- Infrastructure	61,136	68,498
- Private Equity	7,593	6,123
- Property	25,427	86,653
<b>Total Pooled Investment Vehicles</b>	<b>2,931,637</b>	<b>2,948,482</b>
Other Investment Assets		
Derivatives:		
- Open Forward Foreign Exchange (FX)	2,758	7,545
Cash Deposits	115,609	75,666
Investment Income Due	2,011	1,950
Amount Receivable for Sales	1,003	-
<b>Total Other Investment Assets</b>	<b>121,381</b>	<b>85,161</b>
<b>Total Investment Assets</b>	<b>3,053,018</b>	<b>3,033,643</b>
Investment Liabilities		
Investment Income Payable	(1)	-
<b>Total Investment Liabilities</b>	<b>(1)</b>	<b>-</b>
<b>Total Net Investment Assets</b>	<b>3,054,199</b>	<b>3,034,825</b>

# LINCOLNSHIRE PENSION FUND 2022-23

## 12A Reconciliation of Movements in Investments

2022/23	Market Value at 31 March 2022	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
Investment Assets					
Pooled Investment Vehicles					
- Managed by Border to Coast	1,564,205	47,500	(51,055)	30,724	1,591,374
- Unitised Insurance Policies	614,328	29,151	(29,845)	(24,884)	588,750
- Unit Trusts	193,810	1,156	(20,668)	(33,796)	140,502
- Other Managed Funds	559,294	246,982	(193,865)	15,445	627,856
<b>Total Pooled Investment Vehicles</b>	<b>2,931,637</b>	<b>324,789</b>	<b>(295,433)</b>	<b>(12,511)</b>	<b>2,948,482</b>
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	2,758	4,061,063	(4,026,096)	(30,180)	7,545
<b>Total Other Investments</b>	<b>2,758</b>	<b>4,061,063</b>	<b>(4,026,096)</b>	<b>(30,180)</b>	<b>7,545</b>
Other Investment Balances					
- Cash Deposits	115,609				75,666
- Amount Receivable for Sales	1,003				-
- Investment Income Due	2,010				1,950
- Amount Payable from Purchases	-				-
<b>Total Other Investments</b>	<b>118,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,616</b>
<b>Total Net Investment Assets</b>	<b>3,054,199</b>	<b>4,385,852</b>	<b>(4,321,529)</b>	<b>(42,691)</b>	<b>3,034,825</b>

# LINCOLNSHIRE PENSION FUND 2022-23

2021/22	Market Value at 31 March 2021	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
Investment Assets					
Pooled Investment Vehicles					
- Managed by Border to Coast	1,350,277	164,023	(42,957)	92,862	1,564,205
- Unitised Insurance Policies	564,378	5,623	(6,278)	50,605	614,328
- Unit Trusts	179,603	933	(34,037)	47,311	193,810
- Other Managed Funds	566,026	77,661	(189,283)	104,890	559,294
<b>Total Pooled Investment Vehicles</b>	<b>2,660,284</b>	<b>248,240</b>	<b>(272,555)</b>	<b>295,668</b>	<b>2,931,637</b>
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
<b>Total Other Investments</b>	<b>(1,964)</b>	<b>3,135,252</b>	<b>(3,113,086)</b>	<b>(17,444)</b>	<b>2,758</b>
Other Investment Balances					
- Cash Deposits	97,725				115,609
- Amount Receivable for Sales	-				1,003
- Investment Income Due	2,023				2,010
- Amount Payable from Purchases	(10,464)				-
<b>Total Other Investments</b>	<b>89,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,622</b>
<b>Total Net Investment Assets</b>	<b>2,748,786</b>	<b>3,383,492</b>	<b>(3,385,641)</b>	<b>278,224</b>	<b>3,054,199</b>

# LINCOLNSHIRE PENSION FUND 2022-23

## 12B Investments Analysed by Fund Manager

Fund Manager	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Investments managed by Border to Coast:				
- Global Equity Alpha	743,227	24.3	763,782	25.2
- Listed UK Equity	477,827	15.7	462,066	15.2
- Multi-Asset Credit	138,224	4.5	146,217	4.8
- Investment Grade Credit	204,927	6.7	219,309	7.2
Unitised Insurance Policies:				
- Legal and General (Future World Fund)	464,046	15.2	463,892	15.3
- Blackrock (Bond Portfolio)	150,282	4.9	124,858	4.1
Investments managed outside of the asset pool:				
- Morgan Stanley (Private Markets)	485,548	16.0	477,535	15.7
- Morgan Stanley (Legacy Private Equity)	8,240	0.3	6,891	0.2
- Internally Managed (Property Unit Trusts)	194,136	6.4	140,579	4.7
- Internally Managed (Infrastructure)	61,377	2.0	68,852	2.3
- Internally Managed (Property)	25,577	0.8	86,656	2.9
- Internally Managed (Cash managed by LCC Treasury Management Team)	53,000	1.7	58,000	1.9
- Unallocated Cash	46,606	1.5	15,006	0.5
<b>Total</b>	<b>3,053,017</b>	<b>100.0</b>	<b>3,033,643</b>	<b>100.0</b>

12C Fund Assets exceeding 5%.

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (excluding holdings in UK Government Securities).

Fund Manager	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Border to Coast (Global Equity Alpha)	743,227	24.2	763,782	25.0
Border to Coast (Listed UK Equity)	477,827	15.6	462,066	15.1
Border to Coast (Investment Grade Credit)	204,927	6.7	219,309	7.2
Legal and General (Future World Fund)	464,046	15.1	463,892	15.2
Morgan Stanley (Private Markets)	465,138	15.1	466,582	15.2



# LINCOLNSHIRE PENSION FUND 2022-23

## Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternatives investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts.

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value	
		'000		'000	£'000	£'000	
Up to one month	None						
Over one month	GBP	1,788	AUD	3,255	23		
	GBP	12,691	CAD	21,103	83		
	GBP	12,536	EUR	14,152	67		
	GBP	445,832	USD	542,843	7,433		
	USD	13,658	GBP	11,091		(61)	
<b>Total</b>					<b>7,606</b>	<b>(61)</b>	
<b>Net Forward Currency Contracts at 31 March 2023</b>						<b>7,545</b>	
<b>Prior year comparative</b>							
<b>Open forward currency contracts at 31 March 2022</b>					<b>3,089</b>	<b>(331)</b>	
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>2,758</b>	

Profit (Loss) of Forward Currency Deals and Currency Exchange.

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2022/23 this was a loss of £30.180m (£17.444m loss in 2021/22).

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 14. Fair Value – Basis of Valuation

All investments assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level One</b>			
Quoted equities and pooled fund investments	The published bid market price on the final day of the accounting period.	Not Required.	Not Required.
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields	Not Required.	Not Required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not Required.	Not Required.
<b>Level Two</b>			
Unquoted equity investments	Average of broker prices	Evaluated price feeds.	Not Required.
Unquoted fixed income bonds and unit trusts	Average of broker prices	Evaluated price feeds.	Not Required.

# LINCOLNSHIRE PENSION FUND 2022-23

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level Two continued...			
Unquoted pooled fund investments	Average of broker prices	Evaluated price feeds.	Not Required.
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk.	Not Required.
Pooled property funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required.
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Other unquoted and private equities (inc. private markets, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by material event occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

# LINCOLNSHIRE PENSION FUND 2022-23

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level Three continued...			
Shares in Border to Coast Pensions Partnership	Shareholdings in Border to Coast have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in Border to Coast. Disposal of shares is not a matter in which any shareholder can make a unilateral decision. Company is structured so as not to make a profit.	Valuation could be affected by future funding models, post-balance sheet events, or changes current operating procedures.

## Sensitivity of assets valued at level 3.

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out in the table over the page the consequent potential impact on the closing value of investments held at 31 March 2023.

	Potential variation in fair value	Value as at 31 March 2023	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Hedge Funds	8%	120,715	130,372	111,058
Infrastructure	15%	68,498	78,773	58,223
Private Markets	15%	334,534	384,714	284,354
Property Venture	18%	41,187	48,601	33,773
Private Equity	23%	6,123	7,531	4,715

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## 14A Fair Value Hierarchy.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2023 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		1,591,374		1,591,374
Unitised Insurance Policies	588,750			588,750
Unit Trusts		140,502		140,502
Other Managed Funds	11,332	45,466	571,058	627,856
Derivatives: Forward Foreign Exchange		7,545		7,545
Cash	4,390			4,390
	604,472	1,784,887	571,058	2,960,417
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange				-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	1,182	1,182
Net Investment Assets	604,472	1,784,887	572,240	2,961,599

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Values at 31 March 2022 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		1,564,205		1,564,205
Unitised Insurance Policies	614,328			614,328
Unit Trusts		193,810		193,810
Other Managed Funds	65,211	45,590	448,493	559,294
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	697,205	1,806,363	448,493	2,952,061
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange				-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	1,182	1,182
<b>Net Investment Assets</b>	<b>697,205</b>	<b>1,806,363</b>	<b>449,675</b>	<b>2,953,243</b>

# LINCOLNSHIRE PENSION FUND 2022-23

## 14B Reconciliation of Fair Value Measurements within Level 3

Period 2022/23	Market value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure	61,136	5,359	(3,241)	4,452	792	68,498
Private Equity	7,593	-	(1,621)	(1,152)	1,303	6,123
Private Markets	368,397	114,982	(45,911)	8,129	9,653	455,250
Property Venture	11,367	31,622	(493)	(576)	(733)	41,187
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
<b>Total</b>	<b>449,675</b>	<b>151,963</b>	<b>(51,266)</b>	<b>10,853</b>	<b>11,015</b>	<b>572,240</b>

Period 2021/22	Market value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure	50,793	7,190	(2,187)	4,941	399	61,136
Private Equity	13,712	5	(5,887)	(3,903)	3,666	7,593
Alternatives	306,562	58,179	(79,752)	68,864	14,544	368,397
Other Property	6,878	7,751	(2,625)	(637)	-	11,367
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
<b>Total</b>	<b>379,127</b>	<b>73,125</b>	<b>(90,451)</b>	<b>69,265</b>	<b>18,609</b>	<b>449,675</b>

\* Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 15. Financial Instruments

### 15A Classification of Financial Instruments.

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2023			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
<b>Pooled Investment Vehicles:</b>				
- Managed by Border to Coast	1,591,374			
- Unitised Insurance Policies	588,750			
- Unit Trusts	140,502			
- Other Managed Funds	627,856			
Derivatives: Forward Foreign Exchange	7,545			
Cash	4,390	95,199		
Other Investment Balances		1,950		
Sundry Debtors		26		
	2,960,417	97,175	-	1,182
<b>Financial Liabilities</b>				
Derivatives: Forward Foreign Exchange	-			
Other Investment Balances			-	
Sundry Creditors			(2,459)	
	-	-	(2,459)	-
	2,960,417	97,175	(2,459)	1,182



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	31 March 2022			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
<b>Pooled Investment Vehicles:</b>				
- Managed by Border to Coast	1,564,205			
- Unitised Insurance Policies	614,328			
- Unit Trusts	193,810			
- Other Managed Funds	559,294			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		3,014		
Sundry Debtors		248		
	2,952,061	116,936	-	1,182
<b>Financial Liabilities</b>				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	-	-	(5,869)	-
	2,952,061	116,936	(5,869)	1,182

## 15B Net Gains and Losses on Financial Instruments.

	2021/22	2022/23
Financial Assets	£000	£000
Fair Value through Profit and Loss	295,668	(12,511)
	295,668	(12,511)

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

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## Note 16. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management.

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the pension fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

### a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

### Other Price Risk.

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign

# LINCOLNSHIRE PENSION FUND 2022-23

exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

## Other Price Risk - Sensitivity Analysis.

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2023/24; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same (prior year comparatives are shown below):

Asset Type	Value at 31 March 2023	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	462,066	16%	535,997	388,135
Overseas Equities	1,227,674	16%	1,424,102	1,031,246
Bonds	344,167	7%	368,259	320,075
Multi Asset Credit	146,217	7%	156,452	135,982
UK Property	181,462	18%	214,125	148,799
Overseas Property	45,693	18%	53,918	37,468
Infrastructure	68,498	15%	78,773	58,223
Private Equity	232,951	23%	286,530	179,372
Private Debt	57,058	13%	64,476	49,640
Private Real Assets	49,694	16%	57,645	41,743
Other Alternatives	12,285	15%	14,128	10,442
Hedge Funds	120,717	8%	130,374	111,060
<b>Total Assets Available</b>	<b>2,948,482</b>		<b>3,384,779</b>	<b>2,512,185</b>

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Asset Type	Value at 31 March 2022	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	204,848	21%	247,866	161,830
Overseas Property	14,389	18%	16,979	11,799
Alternatives - Hedge Funds	88,884	8%	95,995	81,773
Alternatives - Other	376,254	10%	413,879	338,629
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	61,136	14%	69,695	52,577
Private Equity	7,593	20%	9,112	6,074
<b>Total Assets Available</b>	<b>2,931,637</b>		<b>3,303,108</b>	<b>2,560,166</b>

## Interest rate risk.

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager, and experience, suggests that a movement of less than +/- 100 basis points (+/- 1%) in interest rates from one year to the next is likely.

## Interest rate risk – sensitivity analysis.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

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## Assets Exposed to Interest Rate Risk:

Exposure to interest rate risk	Value at 31 March 2023	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	75,666	-	75,666	75,666
Cash Balances	23,923	-	23,923	23,923
Bonds	344,167	3,442	347,609	340,725
<b>Total</b>	<b>443,756</b>	<b>3,442</b>	<b>447,198</b>	<b>440,314</b>

Exposure to interest rate risk	Value at 31 March 2022	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	115,609	-	115,609	115,609
Cash Balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
<b>Total</b>	<b>486,549</b>	<b>3,552</b>	<b>490,101</b>	<b>482,997</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2022/23	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	2,341	23	2,364	2,318
Bonds	-	-	-	-
<b>Total</b>	<b>2,341</b>	<b>23</b>	<b>2,364</b>	<b>2,318</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	233	2	235	231
Bonds	-	-	-	-
<b>Total</b>	<b>233</b>	<b>2</b>	<b>235</b>	<b>231</b>

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## Currency risk.

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 7%, as measured by one standard deviation (7% in 2021/22). A 7% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

## Currency risk – sensitivity analysis.

Asset Exposed to Currency Risk	Value at 31 March 2023	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Hedge Funds	120,716	8,450	129,166	112,266
Overseas Infrastructure	15,245	1,067	16,312	14,178
Overseas Other Alternatives	12,285	860	13,145	11,425
Overseas Private Debt	55,949	3,916	59,865	52,033
Overseas Private Equity	232,951	16,307	249,258	216,644
Overseas Property	45,693	3,199	48,892	42,494
Overseas Real Private Assets	49,359	3,455	52,814	45,904
<b>Total</b>	<b>532,198</b>	<b>37,254</b>	<b>569,452</b>	<b>494,944</b>

Asset Exposed to Currency Risk	Value at 31 March 2022	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Alternatives	433,316	30,332	463,648	402,984
Overseas Infrastructure	12,176	852	13,028	11,324
Overseas Private Equity	7,593	532	8,125	7,061
Overseas Property	14,389	1,007	15,396	13,382
<b>Total</b>	<b>467,474</b>	<b>32,723</b>	<b>500,197</b>	<b>434,751</b>

## b) Credit Risk.

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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The Fund is additionally exposed to credit risk through its daily treasury activities. Credit risk may also occur if an employing body, not supported by central government, does not pay its contributions promptly, or defaults on its obligations.

The Pension Fund's bank account is held at Barclays, which holds an 'A+' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2023 the balance at Barclays was £80.423m (£67.731m at 31 March 2022).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2023 were received by the beginning of May 2023. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

## c) Liquidity risk.

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2023, these assets totalled £2,033.907m (£2,040.309m as at 31 March 2022), with a further £99.589m held in cash (£131.340m as at 31 March 2022).

Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation is due to take place as at 31 March 2025.

### Description of Funding Policy.

Details of the funding policy are set out in the Funding Strategy Statement (FSS), in summary, the key points are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

Further details are contained in the FSS.

### Actuary's Statement.

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 30 March 2023.

### Asset value and funding level.

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £3,071m.
- The Fund had a funding level of 101% i.e. the value of assets for valuation purposes was 101% of the value that they would have needed to be to pay for the benefits



# LINCOLNSHIRE PENSION FUND 2022-23

accrued to that date, based on the assumptions used. This corresponded to a surplus of £18m.

## Contribution Rates.

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 24.1% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 5 of the triennial valuation report.

## Assumptions.

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Financial Assumptions	Assumptions used for the 2022 valuation
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2022 valuation
Post-retirement mortality:	
<i>Base tables</i>	S3PA tables
<i>Projection model</i>	CMI 2021
<i>Long-term rate of improvement</i>	1.25% p.a.
<i>Smoothing parameter</i>	7.0
<i>Initial addition to improvements</i>	0.0% p.a.
<i>2022/21 weighting parameter</i>	5%

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Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

## Updated position since the 2022 valuation

### Assets.

In the 12 months to 31 March 2023 the investment return on the Scheme's assets is estimated to have been -0.8% per annum. As the Fund has a positive cash flow the market value of assets at 31 March 2023 are unchanged since the formal valuation.

### Liabilities.

Inflation over the year to 31 March 2023 was higher than the long-term average assumed at the 2022 valuation. However, the projection for the future rate of long-term inflation from 31 March 2023 has reduced since the previous valuation.

Future investment returns from 31 March 2023 are expected to have increased slightly since the previous actuarial valuation, mainly due to a significant increase in bond yields.

Therefore, the actuary estimate that the liabilities are broadly similar to that at the formal valuation.

### Overall position.

The funding position as at 31 March 2023 is similar to the funding level at the previous valuation.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Barry McKay FFA

Partner, Barnett Waddingham LLP

## Note 18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities adopting methods and assumptions that are consistent with IAS19 on an annual basis.

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## Introduction.

Pension expense calculations have been undertaken in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. The calculations take into account current LGPS Regulations, as amended, as at the date of this report.

The LGPS is a defined benefit statutory scheme administered in accordance with the regulations and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and the Fund's membership booklet.

This report is prepared in accordance with the actuary's understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers, they have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023. A copy of this can be requested from the Fund.

## Valuation Data.

### Data Used.

The following items of data have been used in the calculations:

- 31 March 2022 - results of the latest funding valuation;
- 31 March 2022 - results of the previous IAS26 report;
- 31 March 2023 - actual Fund returns to;
- 31 March 2023 - Fund asset statement;
- 31 March 2023 - Fund income and expenditure items to; and
- 31 March 2023 - details of any new unreduced early retirement payments out to.

The data is provided by the administering authority and has been checked for reasonableness by the actuary and is sufficient for this purpose. Although some of these data items have been estimated, the actuary does not believe that they are likely to have a material effect on the results of this report. There have not been any material changes or events since the data was prepared.

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## Employer Membership Statistics.

The table below summarises the membership data, as at 31 March 2022.

Member Data Summary	Number	Salaries / Pensions £'000	Average Age
Active Members	24,013	397,111	46
Deferred Pensioners	28,653	30,628	49
Pensioners	25,949	85,232	72

## Payroll.

The total estimated pensionable payroll for the employers in the Fund is £432,477,000 for the year to 31 March 2023 (£383,142,000 for year to 31 March 2022).

## Unfunded benefits.

Unfunded benefits are excluded from the calculations as these are liabilities of employers rather than the Fund.

## Early retirements.

The calculations include 46 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £254,000 (49 in the previous financial year totalling £413,300).

## Assets.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is calculated to be -0.8% based on the Fund asset statements and cashflows as set out in the data section above. The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2023 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Equities	2,223,948	72%	1,689,740	56%
Bonds	385,387	13%	400,202	13%
Property	322,305	10%	228,002	8%
Cash	139,275	5%	96,506	3%
Infrastructure	-	0%	114,236	4%
Absolute Return Fund	-	0%	497,064	16%
	3,070,915	100%	3,025,750	100%

Infrastructure and Absolute return fund were previously not identified separately in the 31 March 2022 report and was included within the other asset classes.

# LINCOLNSHIRE PENSION FUND 2022-23

Actuarial methods and assumptions.

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2023 briefing note issued alongside this report unless noted otherwise below.

The key assumptions used are set out below.

Financial Assumptions	31 March 2022 % p.a.	31 March 2023 % p.a.
Discount Rate	2.60%	4.80%
Pension Increases	3.20%	2.85%
Salary Increases	4.20%	3.85%

In addition, actual pension increases up to and including the 2023 Pension Increase Order have been allowed for. This is reflected in the experience loss/(gain) on defined benefit obligation figure in the results. Actual CPI inflation experienced from September 2022 to March 2023 has also been allowed for.

The demographic assumptions adopted are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. These assumptions have been updated from those adopted at the last accounting date. Details of the post-retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post Retirement Mortality	31 March 2022	31 March 2023
Base table	S3PA	S3PA
Multiplier (M/F)	130% / 120%	130% / 120%
Future Improvements model	CMI_2021	CMI_2021
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	5%	5%
2021 weight parameter	5%	5%

# LINCOLNSHIRE PENSION FUND 2022-23

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life Expectancy from age 65 years	31 March 2022	31 March 2023
Retiring Today		
Males	19.8	19.8
Females	22.9	22.9
Retiring in 20 years		
Males	21.0	21.1
Females	24.3	24.4

## Fund Duration.

The estimated duration of the Fund as at the accounting date, using the assumptions set out above is 17 years.

## Results.

The net surplus as at 31 March 2023 is estimated to be £211.497m.

Net pension asset in the statement of financial position as at:	31 March 2022 £'000	31 March 2023 £'000
Present value of the defined benefit obligation	(4,162,460)	(2,848,783)
Fair value of Fund assets (bid value)	3,070,915	3,060,280
Net surplus/(liability) in balance sheet	(1,091,545)	211,497

The present value of the defined benefit obligation consists of £2,814,706,000 in respect of vested obligation and £34,077,000 in respect of non-vested obligation (in the previous financial year present value of the defined benefit obligation consisted of £4,099,161,000 in respect of vested obligation and £63,299,000 in respect of non-vested obligation).

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2022 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 19. Current Assets

	31 March	31 March
	2022	2023
	£'000	£'000
Short Term Debtors:		
Contributions due - Employers	5,614	3,172
Contributions due - Employees	1,442	727
Debtors Relating to Members	704	719
VAT Debtor	299	115
Sundry Debtors	248	26
<b>Short Term Debtors</b>	<b>8,307</b>	<b>4,759</b>
Cash Balances	15,731	23,923
<b>Cash Balances</b>	<b>15,731</b>	<b>23,923</b>
<b>Total Current Assets</b>	<b>24,038</b>	<b>28,682</b>

## Note 20. Current Liabilities

	31 March	31 March
	2022	2023
	£'000	£'000
Creditors:		
Contributions - paid in advance	(42)	(34)
Creditors Relating to Members	(1,414)	(734)
Sundry Creditors	(5,868)	(2,459)
<b>Total Current Liabilities</b>	<b>(7,324)</b>	<b>(3,227)</b>

## Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments (excluding any final bonus) amounted to £7.789m (£8.360m in 2021/22). Member contributions of £0.836m (£0.792m in 2021/22) were received by the Prudential in the year to 31 March and £1.971m (£1.590m in 2021/22) was paid out to members.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

# LINCOLNSHIRE PENSION FUND 2022-23

## Note 22. Related Party Transactions

Lincolnshire County Council.

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.267m (£0.258m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £46.164m (£41.404m in 2021/22) to the Fund in 2022/23. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £67.390m (£69.945m in 2021/22) and interest of £1.579m (£0.199m in 2021/22) was earned over the year.

Pensions Committee.

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: A Antcliff (Employee Representative), S Larter (Small Scheduled Bodies Representative) and T Hotchin (Academy Sector Representative) were contributing members of the Pension Fund during 2022/23. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2022/23. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allan is in receipt of a pension from the Fund.

Border to Coast Pensions Partnership.

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2021/22) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2023 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2022/23 the Fund paid Border to Coast £4.126m (£3.421m in 2021/22) to manage these assets and the company.



# LINCOLNSHIRE PENSION FUND 2022-23

## Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.137m short term benefits (£0.136m in 2021/22) and £0.024m post-employment benefits (£0.024m in 2021/22).

## Note 24. Contractual Commitments

At 31 March 2023 the Fund had outstanding capital commitments (investments) to fourteen investment vehicles, amounting to £37.755m (£79.172m as at 31 March 2022). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

## Note 25. Events After the Balance Sheet Date

There have been no events after the balance sheet date that requires adjustment or disclosure within the accounts.

# LINCOLNSHIRE PENSION FUND 2022-23

## Glossary of Terms

**Actuary** – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund’s financial position, known as the Actuarial Valuation.

**Admitted Body** – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

**Alternatives** – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property and financial assets such as private equity and derivatives.

**Asset Allocation** – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

**Asset Pooling** – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: ‘significantly reducing costs whilst maintaining investment performance’.

**Auto Enrolment** – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria and repeat this process every three years to re-enrol any employees who have opted out.

**Bonds** – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

**Career Average Revalued Earnings (CARE) Scheme** – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

**CIPFA** – Chartered Institute of Public Finance & Accountancy.

**Consumer Price Index (CPI)** – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

# LINCOLNSHIRE PENSION FUND 2022-23

**Counterparty** – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

**Custodian** – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

**Defined Benefit** – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment.

**Derivative** – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

**Diversification** – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated.

Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

**Equities** – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fiduciary Duty** – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

**Final Salary** – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.

**Funding Level** – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

**IFRS** – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

# LINCOLNSHIRE PENSION FUND 2022-23

**Infrastructure** – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

**Investment Strategy** – The investor’s long-term distribution of assets across various asset classes, taking into consideration their objectives, their attitude to risk and timescale.

**Liabilities** – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pension benefits and payments that are due to be paid when someone retires.

**Market Value** – The price at which an investment can be bought or sold at a given date.

**Pooled Investment Fund** – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

**Portfolio** – Block of assets generally managed under a single mandate.

**Private Equity** – Shares in unquoted companies. Usually high risk, high return in nature.

**Return** – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

**Risk** – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

**Scheduled Body** – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

**Settlement** – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

**Stock Lending** – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

**Target** – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

**Triennial Actuarial Valuation** – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund’s financial position.

# AUDIT OPINIONS 2022-23

## Independent auditor's report to the members of Lincolnshire County Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Lincolnshire County Council ("the Council") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Lincolnshire Fire and Rescue Pension Fund statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive & Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive & Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive & Executive Director of Resources is responsible for the other information. Our opinion on the financial statements

# AUDIT OPINIONS 2022-23

does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Deputy Chief Executive & Executive Director of Resources for the financial statements**

As explained more fully in the Statement of the Deputy Chief Executive & Executive Director of Resources' Responsibilities, the Deputy Chief Executive & Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Deputy Chief Executive & Executive Director of Resources is also responsible for such internal control as the Deputy Chief Executive & Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive & Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive & Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

# AUDIT OPINIONS 2022-23

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Deputy Chief Executive & Executive Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive & Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

# AUDIT OPINIONS 2022-23

## **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Use of the audit report**

This report is made solely to the members of Lincolnshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have issued the certificate for 2021/22 and completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Mark Surridge, Key Audit Partner  
For and on behalf of Mazars LLP

2 Chamberlain Square, Birmingham, UK

20 December 2023



# AUDIT OPINIONS 2022-23

## Report on the audit of the financial statements of the Lincolnshire Pension Fund

### Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

### Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report

# AUDIT OPINIONS 2022-23

thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Executive Director of Resources for the financial statements**

As explained more fully in the Statement of the Executive Director of Resources' Responsibilities, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

# AUDIT OPINIONS 2022-23

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Use of the audit report**

# AUDIT OPINIONS 2022-23

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Cameron Waddell (Key Audit Partner)

For and on behalf of Mazars LLP

The Corner

Bank Chambers 26

Mosley Street

Newcastle Tyne

NE1 1 DF

20 December 2023

# ANNUAL GOVERNANCE STATEMENT 2023

## Annual Governance Statement 2023





# ANNUAL GOVERNANCE STATEMENT 2023

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# ANNUAL GOVERNANCE STATEMENT 2023

## Executive Summary

Lincolnshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

The statement enables us to monitor our achievements and to provide assurance that our strategic objectives have led to the delivery of strong, effective services which continue to provide value for money.

Our strong governance arrangements mean we can continue to adapt and provide our services effectively but also gives us the opportunity to do things differently. We remain very proud of how the Council has continued to adapt and support our communities during the changing landscape that has followed recovery from the pandemic and the challenges we face within the economic environment. We have continued to build upon the work delivered with private, public, and voluntary partners.

We recognise the importance of having good leadership and management, effective processes, and other appropriate controls in place to have a well-run Council. We recognise that it is important not to be complacent and constantly challenge ourselves so that we learn and continually develop.

The Council has a robust assurance framework in place which is informed by the work of the senior managers, who have responsibility for the development and maintenance of the governance environment. The framework focuses on:

- Assurance of front-line service delivery where each Executive Director undertakes an annual self-assessment using intelligence from the performance framework. This enables them to assess the effectiveness of service delivery.
- Oversight of management activity through a range of reports which are produced annually and/or throughout the year from those responsible for their oversight. This provides assurance on the operation of governance framework elements and highlights where independent oversight is available for added assurance.

Collectively this intelligence has confirmed that our governance arrangements are strong. We continue to strive to embed a culture of high challenge, high support, where all officers, leaders and members constantly review and scrutinise governance practices. The purpose of which is to aid continual adaptation for the challenging and changing environments we face and support our staff through future proofing and continued success.

The current environment is bringing with it new and significant challenges including inflationary costs, labour shortages, cost of living increases and increased demand from our communities, to highlight a few. We horizon scan to ensure that we can adapt and respond to new and emerging challenges and keep our communities supported. However, our workforce challenges continue to be significant, despite innovative responses.

The development and publication of our Annual Governance Statement helps us review our successes and define any areas for future development.

# ANNUAL GOVERNANCE STATEMENT 2023

This statement has been prepared by those with knowledge of the key governance issues facing the Council and conforms to good practice<sup>[1]</sup>.

## Significant Governance Issues

In completing the review of the Council's governance and assurance arrangements **no significant governance issues were identified.**

Our assessment has identified some improvements to our governance framework – these can be found later in the document and will be monitored through the Council's performance management processes.

Signed on behalf of Lincolnshire County Council

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Councillor Martin Hill OBE  
*Leader of the Council*

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Debbie Barnes OBE  
*Chief Executive*

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Andrew Crookham  
*Deputy Chief Executive &  
Executive Director Resources*

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<sup>1</sup> CIPFA / SOLACE: Delivering Good Governance in Local Government – Framework and associated guidance (2016).



# ANNUAL GOVERNANCE STATEMENT 2023

## What is Corporate Governance?

Good governance can mean different things to people – in the public sector it means:

***"Achieving the intended outcomes while acting in the public interest at all times"***

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led, and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive, and honest manner.
- Makes sure public money is safeguarded, properly accounted for, and spent wisely.
- Has effective arrangements in place to manage risk; and
- Meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems, and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document (Appendix 1).

Each year the Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the Annual Governance Statement. This review benchmarks our arrangements against the CIPFA / SOLACE: Delivering Good Governance in Local Government: Framework and associated guidance (2016).

It is crucial to the Council's success that its governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance. This cannot be achieved by rules, policies, and procedures alone. The Council is expected to have a culture that places the public and integrity at the heart of its business.

On 19 June 2023 the Audit Committee considered and challenged the content of the draft Annual Governance Statement to consider if the Statement properly and accurately reflected how the Council is run and identified any improvements required. The Annual Governance Statement was formally approved by the Audit Committee and recommended for signing by the Leader of the Council, Chief Executive, and the Executive Director for Resources.

# ANNUAL GOVERNANCE STATEMENT 2023

## Principles of Corporate Governance



### Principle A: Integrity and values

- Staying true to our strong ethical values and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes



### Principle B: Openness and engagement

- Keeping relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decisions
- Providing clear rationale for decision making – being explicit about risk, impact and benefits.
- Having effective scrutiny to constructively challenge what we do and the decisions made



### Principle C: Working together

- Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
- Being clear about expectations - working effectively together within the resources available
- Developing constructive relationships with stakeholders
- Having strong priority planning and performance management processes in place
- Taking an active and planned approach to consult with the public
- Regularly consult with employees and their representatives



### Principle D: Making a difference

- Having a clear vision and strategy setting out our intended outcome for citizens and service users



### Principle E: Capability

- Clear roles and responsibilities for council leadership
- Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles.
- Evaluating councillor and officers' performance
- Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning



### Principle F: Managing risk and performance

- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units
- Having well developed assurance arrangements in place – including any commercial activities
- Having an effective Audit Committee
- Effective counter fraud arrangements in place



### Principle G: Transparency and accountability

- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions.
- Maintaining an effective internal and external audit function

# ANNUAL GOVERNANCE STATEMENT 2023

## How the Council Works

The Annual Governance Statement covers the 2022/23 financial year. The information below relates to this period.

**The Council is made up of 70 Councillors and operates a 'Leader and Executive' model of decision making.**

- All 70 Councillors meet to agree the budget and policy framework.

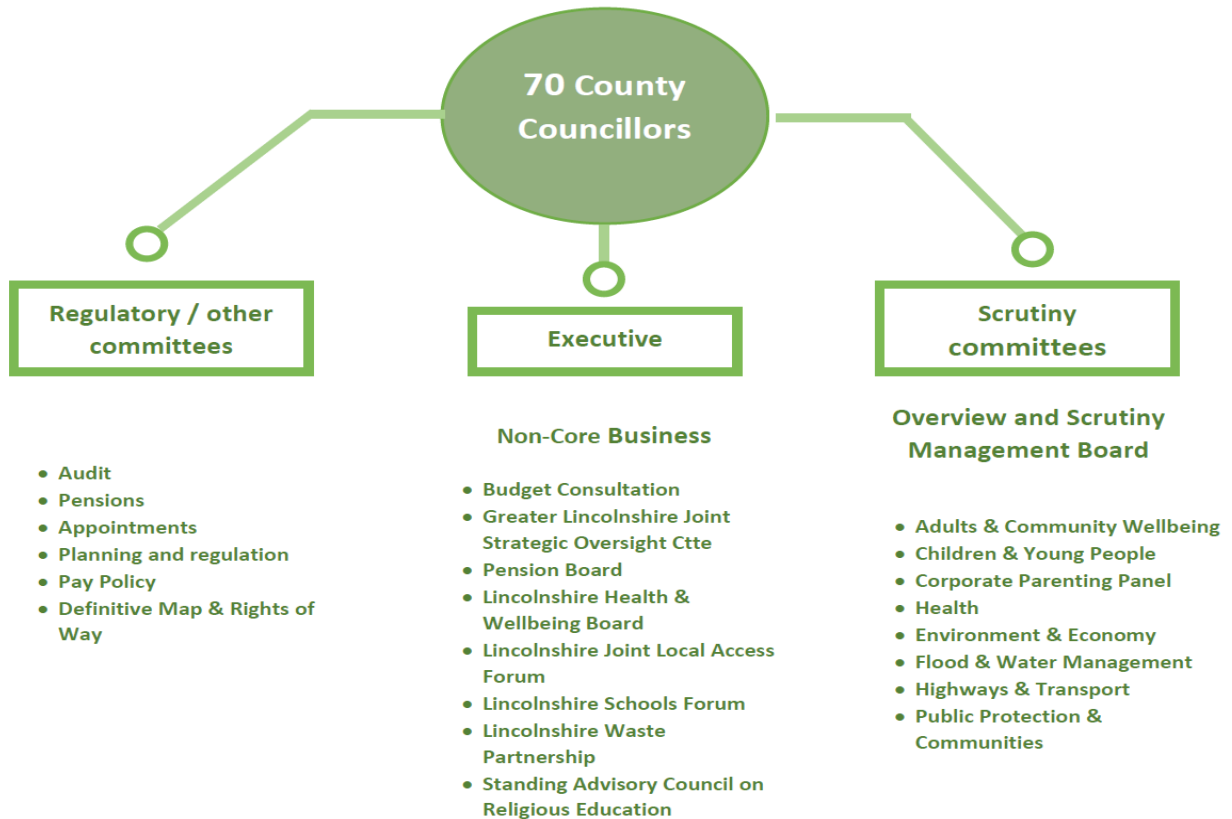
**The Executive makes the decisions that deliver the budget and policy framework of the council and consists of a minimum of two members and a maximum of ten.**

- In 2022/23 the Leader and eight Councillors sat on the Executive.

**The remaining 61 Councillors form the Scrutiny and Regulatory committees.**

These committees develop policy and scrutinise decisions made by the Executive and Executive Councillors, holding them to account for the decisions and recommendations made.

A number of these committees deal with regulatory issues.



# ANNUAL GOVERNANCE STATEMENT 2023

Following a recent review of the way the Council conducts scrutiny, carried out by the Centre for Governance and Scrutiny, an action plan was sponsored by the Oversight and Scrutiny Management Board (OSMB).

This plan included suggestions to enhance the way scrutiny is carried out, some of which have been incorporated into the Council's Councillor development programme. Others have been implemented as part of an internal review of practises within the Democratic Services Team.

Each year an [Overview and Scrutiny Annual Report](#) is produced showing the activities undertaken by the Scrutiny Committees.

## Outcomes – Working for a Better Future.

Lincolnshire is a place which we are proud of, and we will continue to ensure that our residents enjoy the lifestyle they deserve. We work together, and with our partners, to enhance services and ensure we are successful in meeting the needs and expectations of our residents, businesses, and visitors.

Our Corporate Plan sets out our vision and ambitions for the future – with our aim being to continue working for a better future.

Through the implementation of our corporate plan, we are determined that in the coming years people and communities will:



Support high aspirations



Enable everyone to enjoy life to the full



Create thriving environments



Provide good value council services

A link to the Corporate Plan can be found [here](#).

# ANNUAL GOVERNANCE STATEMENT 2023

## Performance Summary

### Support High Aspirations



We have continued to support families, so that children can thrive, recommissioning our Best Start Lincolnshire services and we will be expanding local support for families with older children through our Family Hub programme.

Over 200 new special school places have been created to meet the needs of children and young people who require a higher level of specialist support, with plans being on track to deliver a total of 365 special school places by the end of September 2023.

The council is also making good use of apprenticeships which are an important aspect of the Council's Corporate Plan and People Strategy. The total number of apprentices is now over 300, with 91.53% of the annual levy allocated. 74% of training provision is also being delivered by local providers.

Extensive work has been completed in pursuit of a devolution deal for Greater Lincolnshire. This saw draft proposals being agreed by upper tier councils in December 2022 and a letter being received in March 2023 from the Minister for Levelling Up, inviting Greater Lincolnshire to enter negotiations for a devolution deal. This places a focus on enhancing skills and infrastructure across the area and creating high skilled, value jobs for the future.

The council has continued to provide green infrastructure and facilitate a low carbon economy. The Green Master Plan has been approved and the Green Master Plan website developed, along with a Zero Carbon Castle project commenced to examine how a zero-carbon tourist attraction can be developed.



# ANNUAL GOVERNANCE STATEMENT 2023

## Enable Everyone to Enjoy Life to the Full



Continued enhancements have been made to support our children in care. Our short break children's home Strut House relocated to the St Francis Special School site and into a new customised high-quality facility, offering an outstanding environment and quality of care to children with complex disabilities and health needs.

Our children in care transformation project will continue to improve the outcomes of our most vulnerable children. This work includes the creation of two new children's homes in Lincoln and East Lindsey, funded jointly by the Council and the Department for Education. The programme is well underway, with both children's homes opening in 2023.

The Council is working closely with colleagues across the health system, seeing the implementation of the integrated care system and the development of the integrated care strategy. This includes a focus on the digitisation of social care and the successful bid for £400k investment into digital care services which will help with improving the efficiency, quality, and safety of care providers in the county.

Lincolnshire has launched its Social, Emotional and Mental Health (SEMH) Strategy 2023-26 which was developed in partnership with a wide range of stakeholders and sets out our aims and strategic direction over the next three years to ensure that children and young people in Lincolnshire are supported in their school settings to enjoy good mental health and wellbeing.

The council continues to work with colleagues from the Mental Health, Learning Disability and Autism Alliance to support mental health promotion and mental illness prevention. This has seen the launch of the 5-ways to wellbeing campaign through Connect to Support and improved connectivity to local services.

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## Create Thriving Environments



The council has continued to invest in business support activities. In July 2022 new grow-on space for expanded businesses was completed in response to small business needs within the Market Deeping Eventus Centre.

We have also completed 'The Hub' innovation centre at the South Lincolnshire Food Enterprise Zone. The council has also launched its International Trade strategy and delivery plan to help and encourage businesses to access international markets through a single gateway.

The council continues to support businesses through the Team Lincolnshire Ambassador Programme, which has seen the development of new investment proposals for the defence and security sector, and for the growth of the visitor economy.

Work has continued to deliver the recommendations of the Greater Lincolnshire Tourism Plan. This has included the redevelopment of the [www.visitlincolnshire.com](http://www.visitlincolnshire.com) website, improvements to the business toolkits that support tourism businesses to upskill, recruit and develop their businesses, along with the implementation of the green tourism toolkit.

The council has prioritised protecting our environment. It has adopted the fifth Local Transport plan in 2022, which provides policy direction across modes and reflects the needs of our sectors, as well as looking at priorities such as the environment and alternative fuels. This is further supported by work to use the council's EV strategy to successfully bid for Local Electric Vehicle infrastructure funding which will be used to support green travel across the county. The use of the Farming in Protected Landscape scheme has also directed funding of nearly £250k towards environmental and diversification schemes.

# ANNUAL GOVERNANCE STATEMENT 2023

## Provide Good Value Council Services



The UK economy has continued to see high levels of inflation and an increase in interest rates as the cost-of-living crisis continues. The council has successfully adopted its approach to continue to deliver cost effective, sustainable services. Despite these cost pressures, Lincolnshire has continued to remain in the lowest quartile for council tax in 22/23. It is making effective use of grants to maximise the impact for residents. This includes the use of Covid support grants, Ukraine families and low-income household grants, ensuring that the money remains in Lincolnshire and benefits our residents and businesses.

The transformation programme continues to deliver against its objectives. So far, we have realised:

- £1.8m of budget savings through the business support reviews.
- £1.239m of budget savings within Educational Travel so far, and continued work across several areas to make routes more efficient and cost effective.
- The new Business World System has been implemented successfully, and provides a standardised approach, reducing duplication and making our processes more efficient and effective.
- 45 children returning to Lincolnshire from out of county placements improving outcomes and avoiding future costs since the programme began.
- £1.1m of budget savings achieved through smarter working, delivered through a targeted reduction in budgets, including business mileage and a reduction in office space required.

The council remains committed to engaging with residents through its engagement platform, Let's Talk. Over 50 engagements were completed last year, with high response levels being received and over 1,500 residents now receiving regular invitations to participate in engagement activities.



# ANNUAL GOVERNANCE STATEMENT 2023

## Public Health Summary

Local Authorities are mandated (as part of the Health and Care Act 2022) to provide specialist public health expertise and advice to Integrated Care Board (ICBs) and to support ICBs to deliver their objective of improving the health of the local population. Through the response to the COVID-19 Pandemic, the role of the Director of Public Health and the wider Public Health Division became highly visible and central to the overall system leadership of all health and care services.

This has been further embedded through work to develop Lincolnshire's Integrated Care Strategy (ICS) and Public Health provide leadership to the ICS in a range of diverse areas. The ICS boundary mirrors the county council's which helped foster strong relationships, effective working practices and add value across the system exceeding requirement to provide public health advice.

### Public Health Peer Review

The Public Health Peer Review is a local system tool developed by the Association of Directors of Public Health (ADPH) and the Local Government Association (LGA) to support local authorities in defining and delivering effective public health interventions. This aids structured reflection on strengths, assets, challenges and opportunities, and the identification of mitigating actions that address issues/potential areas of risk in relation to public health.

Lincolnshire's commitment to this process was reflected in the secondment of a member of our Public Health Team to lead this sector-led improvement work.

The first stage of the review process was a self-assessment covering seven domains: Leadership and governance; Culture and challenge; Making a difference; Partnerships; Use of resources; Commissioning and quality; and Health protection. Lincolnshire is in a strong position across all seven domains and the peer review exercise has supported Public Health to take stock of and document on areas of strength across the team.

### Public Health Internal Operating Framework

The Public Health Division uses a 'Four Ps' framework, with a focus on monitoring Priorities, People (workforce), Pounds (finance) and Performance. This has been based upon a programme to ensure tight governance and assurance to deliver the priorities. Quarterly reviews of progress and planning are carried out by the Public Health Programme Management Office and Public Health Senior Leadership Team.

Leadership and Management well developed for the priorities, people, and pounds elements with strong staff engagement. There is a focus on developing the 'performance' element.

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## Lincolnshire Integrated Care Partnership

The Health and Care Act 2022 requires LCC and NHS Lincolnshire ICB to jointly establish an Integrated Care Partnership (ICP) as a statutory joint committee as part of the ICS arrangements.

The ICP is responsible for preparing an Integrated Care Strategy for the area served by the ICS. The Integrated Care Strategy must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS), both of which remain the responsibility of the Lincolnshire Health and Wellbeing Board (HWB).

The Lincolnshire ICS boundary is coterminous with LCC and the local system comprises of one ICP and one HWB. The Act states, as a minimum, membership of the ICP should include: one representative of the ICB, and one from each partner local authority. Any additional members are a matter for the ICP; as is the determination of its own procedures, and the process for agreeing the Integrated Care Strategy.

A partner's workshop was held in April 2022 to discuss how the Lincolnshire system would operate within the ICS landscape. The coterminous geographies put Lincolnshire in an exceptional position that allows for the planning and delivery of services much more seamlessly for residents and patients. The agreed local ambition is to avoid duplication where possible, by:

- Aligning the times, location, and frequency of the ICP with HWB meetings.
- Mirroring membership of the ICP with the HWB. An annual review will ensure membership of the ICP and HWB reflect the needs of the system.
- Appointing Cllr Sue Woolley, Executive Councillor and Chair of the Lincolnshire HWB, as the local authority representative to the ICP.
- Appointing John Turner, Chief Executive, NHS Lincolnshire ICB and Vice Chair of the Lincolnshire HWB, as the ICB representative to the ICP.
- Aligning the Integrated Care Strategy and JHWS.

The Lincolnshire ICP held its first meeting on 27 September 2022, following the HWB meeting. Further details about the ICP can be found on the council's website [here](#).

## Integrated Care Strategy and Joint Health and Wellbeing Strategy

The Integrated Care Strategy must set out the direction for the system, detailing how commissioners in the NHS and LCC, working with providers and other partners, can deliver more joined-up, preventative, and person-centred care. National guidance acknowledged 2022-2023 as a transitional year, and that ICPs will have to refresh and further develop the strategy during 2023 as ICS arrangements mature. ICPs were asked to publish an interim strategy by December 2022 (although this requirement was changed by the Department of Health and Social Care) and to publish the final iteration of the strategy by December 2023.

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Given that Lincolnshire's ICS and HWB are coterminous, the ambition is to align, as far as possible, the Integrated Care Strategy with the JHWS. The agreed approach is to connect the strategies, avoid duplication and gaps between the two. Each will maintain its own identity with the JHWS focussing on 'what' the identified needs are; and the Integrated Care Strategy setting out 'how' the system will collectively prioritise, and address, those identified needs.

The vision for the Integrated Care Strategy is:

***'For the people of Lincolnshire to have the best possible start in life, and be supported to live, age and die well.'***

The shared aims are:

- To focus on prevention and early intervention.
- To tackle inequalities and equity of service provision to meet population needs.
- To deliver transformational change in order to improve health and wellbeing.
- To take collective action on health and wellbeing across a range of organisations.

Measures have been identified for each aim, allowing the ICP to track and demonstrate progress.

The interim Integrated Care Strategy was formally adopted by the ICP in March 2023. The strategy can be read [here](#). Additionally, the JHWS was refreshed to reflect wider system changes and to acknowledge the impact of the pandemic. The refreshed JHWS was approved by the HWB in December 2022 and is available [here](#).

Governance arrangements for the JHWS have been reinvigorated to ensure procedures provide assurance to the HWB and ICP. Meetings have been held with the priority leads to restart work put on hold due to Covid-19. This includes ensuring that each of the priority delivery groups has appropriate terms of reference and delivery plans. The HWB has also agreed these arrangements:

- A 12-18 month rolling 'Forward Plan' to avoid duplication of HWB and ICP business.
- Themed HWB meetings so each priority reports to the HWB once a year (as a minimum).
- An annual report covering all the JHWS priorities (look back/look forward).

## **Joint Strategic Needs Assessment**

The Health and Care Act (2012) (as amended by the Health and Care Act 2022) requires the HWB to produce and publish a Joint Strategic Needs Assessment (JSNA) detailing the current and future health and wellbeing needs of Lincolnshire's population. The JSNA is to be used by partners across the health and care system to inform decision making, commissioning and the development of the Joint Health and Wellbeing Strategy, and the Integrated Care Strategy. Following an eighteen-month review, the HWB approved the JSNA for publication on 28 March 2023. The JSNA resource is available on the new [Lincolnshire Health Intelligence Hub](#).

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## Resettlement Schemes and Asylum Dispersal in Lincolnshire

The Public Health service has the corporate lead for the Council's response to refugee resettlement schemes including: the Afghan Relocations and Assistance Policy (ARAP); the Ukraine Family Scheme (UFS); and the Homes for Ukraine (HfU) programme. LCC, district councils, health colleagues, Police, voluntary and community groups and many other agencies, have worked together on migration activity for several years. Their collaboration is formalised through the countywide Resettlement Partnership, chaired by the Deputy Chief Executive of North Kesteven District Council. There is a Memorandum of Understanding (MoU) signed by all partners to identify their roles and responsibilities. The Partnership meets quarterly but with an agile approach. For example, over the past 12 months, there have been additional meetings to plan and monitor delivery of the Ukraine response.

Lincolnshire's county and district councils are actively engaged with the East Midlands Strategic Migration Partnership (EMSMP). SMPs are hubs for the co-ordination of activities regarding asylum seeker dispersal at a regional level and reports to the Home Office. The lead organisation for the EMSMP is East Midlands Councils (EMC). EMC provide support to local authorities to help deliver resettlement schemes; coordinating offers of housing, planning for the arrival of refugees, and sharing best practice.

Depending on the cohort requirements, the Home Office devolves different responsibilities to upper and lower tier local authorities. For example, leadership and coordination of activity related to asylum seeker accommodation sits with the district council in which the accommodation is located, whilst co-ordination of and funding for the Homes for Ukraine Scheme is provided to LCC with an expectation of co-operation with district councils.

In April 2022, the Home Office announced that all local authorities in England, Scotland and Wales would be expected to participate in a new system of full asylum dispersal. This would allow the Home Office to move from primary use of hotels to more settled, less expensive, and more evenly dispersed accommodation. Asylum Dispersal and Contingency Accommodation in the East Midlands is sourced and managed by Serco on behalf of the Home Office. Serco hold the Asylum, Accommodation and Support Services contract (AASC).

Whilst LCC does not have a direct role in asylum dispersal, all resettlement partnership organisations are liaising with Serco and the Home Office to assure LCC of the safety and coordination of services for new arrivals. Led by the relevant District Council, this includes ensuring access to healthcare, provision of education and transport for school age children, and other statutory functions such as prevention and control of infectious disease outbreaks (including immunisations), environmental health, fire safety, early years provision and social care services.

Since August 2021, the Health Protection Service has provided direct support to the hotels being used by the Home Office and its contracted provider Serco for the provision of refugee, resettlement, or asylum seeker accommodation within Lincolnshire. To date, eight hotels have been procured by Serco for this purpose:

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- Grantham – two hotels used for the Afghan Resettlement Programme. One of these has since changed use and now provides accommodation for asylum seeker families.
- Boston – one hotel used for the accommodation of single, adult male asylum seekers.
- Skegness – five hotels used for the accommodation of single, adult male asylum seekers.

The Health Protection Service supports the Lincolnshire Resettlement Partnership, attending meetings as required and providing specialist advice on the suitability of any new hotels or locations proposed for resettlement/ asylum accommodation.

In 2023, the service asked the Internal Audit team to review arrangements for fulfilling the government’s requirements in relation to the Homes for Ukraine Scheme. The review found strong assurance in the adherence to the requirements, with some minor improvements identified and subsequently implemented. All funds provided to other organisations are supported by Grant Funding Agreements which continue to be monitored, amended or cease depending on changing needs and circumstances.

In March 2023, the government announced that RAF Scampton is to be used as an asylum dispersal centre. Public Health colleagues hold the strategic lead for the Council, co-ordinating activity across LCC Directorates and working closely with system partners to ensure robust risk registers and governance arrangements for engaging with the Home Office and its contractors.

## Value for Money

The council has a duty to demonstrate value for money in how it operates. Our auditors are required to report on our arrangements for securing economy, efficiency and effectiveness ensuring the maximum benefits with the resources available to us.

<p><b>ECONOMY</b></p> <p>Minimising cost of resources used (<b>inputs</b>).</p> <p><i>Spending less</i></p>	<p><b>EFFICIENCY</b></p> <p>Relationship between <b>outputs</b> and resources used to produce them.</p> <p><i>Spending well</i></p>	<p><b>EFFECTIVENESS</b></p> <p>Expected <b>outcomes</b> compared to those achieved as result of spending.</p> <p><i>Spending wisely</i></p>
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The Council's initial self-assessment against areas of reporting and examination by the auditors has not identified any areas of significant weakness.

**The Council remains generally in a sound financial position relative to other councils over the short term.** This is because of continued sound financial management and adequate earmarked reserves to support the continued volatility of funding, emerging cost pressures and demand on our services.

# ANNUAL GOVERNANCE STATEMENT 2023

The Council has had a medium-term Financial Strategy for several years now, which has combined:

- Service efficiency savings.
- Modest service reductions.
- Prudent use of reserves.

The government has indicated it will review the resources and revenue requirements for local government following the current spending review period (i.e., from 2025) but has once again provided us a single year funding settlement. To reflect this funding uncertainty and in line with its current financial strategy, **the Council has set a one-year revenue budget up to March 2024.**

**The Council is constantly monitoring its longer-term financial position** and our medium-term Financial Strategy includes a Medium-Term Financial Plan (MTFP) which forecasts our financial position over four years to March 2027. Inflationary, and other cost increases in the capital programmes, may impact on how much can be delivered or the speed of delivery. Future years consider known cost pressures, planned savings and use of reserves to produce a balanced budget. The MTFP predicts a budget shortfall and modest use of reserves over the period of the MTFP.

The **Budget setting process for 2023/24** built into our base budget cost pressures which have emerged and continue to be a pressure from 2022/23. To support financial resilience, our contingency budget was significantly increased to reflect the current rises in inflation, cost of goods and services. A detailed analysis has been undertaken on inflation and demand cost pressures, during our budget setting process, to reflect the varying impacts this has had across the range of services we provide.

The government has introduced several specific grants to support Local Authorities to reflect the challenges of the current economic climate. **The Council has actively sought to maximise the use of grants to ensure this funding is retained within Lincolnshire.** This will ensure this funding is retained to benefit our residents and will support the Councils financial position during this challenging period for our budgets.

**The 2023/24 budget includes low risk efficiency savings and income increases but does not include any significant service reductions.**

Our savings strategy looks to optimize our back-office services and is supported by our Transformation Programme, which incorporates process reviews and redesign with technology as an enabler at the core of the programme.

The programme will support the aim to mitigate the growth of cost pressures and ensure our processes and systems deliver efficiencies, whilst improving the customer experience for service users.

The **10-year capital programme** has been refreshed to reflect current scheme costs and whilst ambitious, considers the revenue impact in line with the capital strategy to ensure its long-term affordability. The capital review group has been working to provide on-going challenge and transparency to projects within the programme.

Our **in-year budget monitoring** has continued with increased reporting to members and the Corporate Leadership Team to improve transparency and support decision making.

# ANNUAL GOVERNANCE STATEMENT 2023

We will continue to develop our financial reporting to identify key risks to delivery and financial sustainability. We will look to ensure our budgets align and support the ambitions within the Council's Corporate Plan.

In response to the financial challenges being faced by Local Government, CIPFA now publish a **financial resilience index** to act as an analytical tool to consider the Council's position over several measures associated with financial risk.

We are regularly assessing our latest financial performance for its potential impact on our overall financial resilience. To date, we have not identified any significant impacts which would affect our financial resilience in the near future.

CIPFA have introduced the Financial Management (FM) Code designed to support good practice in financial management and demonstrate financial sustainability. The code provides a standard framework against which financial management arrangements can be tested and assessed. The council has undertaken its own assessment against the 17 standards of the code, and we have also commissioned an external review to provide an independent assessment of our arrangements against the standards. This review has confirmed that the Council is operating in line with the requirements across all the criteria regarding the substance of the arrangements and the spirit in which they are intended. The review also identified areas of good practice and confirmed our own assessment of areas for continued improvement. These areas for improvement have been identified and an action plan has been reported into Audit Committee.

The Council is the accountable body for the [Greater Lincolnshire Local Enterprise Partnership](#) (GLEP) and supports its governance framework, providing assurance and transparency on the spending of government funds.

As reported in the Annual Governance Statement for 2022, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services inspection of Lincolnshire Fire and Rescue Service (December 2021), which received a requires improvement rating. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services have concluded their inspection of all areas causing concern and published that the action plans implemented have been successful in addressing all areas causing concern.

The Council has five wholly owned subsidiary companies: -

Transport Connect Limited (TCL) - is a passenger transport company incorporated in 2016. The Council has a nominated Director and shareholder representative that attend Board meetings and who receive monthly management accounts from the company's accountants.

Legal Services Lincolnshire (Trading) Ltd – In 2020 the Council approved the creation of a company to provide legal services to other public bodies to which the Council would not otherwise be able to provide services. The company has received a licence from the Solicitor's Regulation Authority but has not yet begun trading.

Lincolnshire Future Limited (a holding company, which has not begun trading); and

Lincolnshire County Property Limited (a subsidiary of Lincolnshire Future Limited which has not begun trading).



# ANNUAL GOVERNANCE STATEMENT 2023

EMPSN Infrastructure Limited – This company owns and manages the communications infrastructure which delivers the Council’s wide area network. The Council appoints a Director and controls the strategic direction of the company as owner through reserved matters such as the approval of the Business Plan.

In addition, the Council is a member of two jointly owned companies.

EMPSN Services Limited – This company provides IT connectivity and content services to schools and other public bodies on a trading basis including many Lincolnshire Schools. It is jointly owned with other regional local authorities and public bodies who take services from the company. It shares its Board of Directors with EMPSN Infrastructure Limited including a Lincolnshire County Council Director

Hoople Limited – The Council has a minority shareholding in this services company alongside Herefordshire Council and Wye Valley NHS Trust reflecting the Council’s purchase from the company of services relating to the Business World ERP system. The Council appoints a Director on the Board and jointly with the other shareholders determines strategic direction through reserved matters.

## Lincolnshire Pension Fund

### Outcomes

The Lincolnshire Pension Fund is part of the Local Government Pension Scheme. It is a contributory defined benefits scheme which provides pensions, and other benefits, to eligible employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other bodies (including Academy Schools and Internal Drainage Boards) within the county. Its purpose is to ensure that benefits are paid to entitled members when they are due.

The Fund is administered by Lincolnshire County Council and is overseen by the Lincolnshire County Council Pensions Committee.

The Fund currently has 256 contributing employer organisations and just over 79,573 members. This is made up of 26,691 active contributing members, 27,231 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 25,651 pensioners.

The Fund's value is currently £3.035bn. It invests in a range of diversified investments, including equities, bonds, property, and infrastructure. Stewardship and responsible investment principles are integrated into the investment decision-making process and in the manager monitoring by the Fund.

The Pension Fund's overarching objectives are:

- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise.



# ANNUAL GOVERNANCE STATEMENT 2023

- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priority, given the preference to keep employer contribution rates reasonably stable where appropriate; and
- **Administration and Communications:** In partnership with West Yorkshire Pension Fund (WYPF), to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all due income and payments are made to the right people at the right time, and to provide clear, appropriate, and timely communication and support to all stakeholders.

More details on the Lincolnshire Pension Fund can be found in the [Annual Report](#)

## Performance Summary for 2022/23

To ensure the Pension Fund is achieving its overarching objectives:

- The pensions administration service, provided by WYPF in a shared service, is monitored and reported to the Pensions Committee and Board on a quarterly basis. During 2022/23 there have been no areas of concern arising in this area.
- Employer compliance with regulations (paying member contributions and submitting member data) is also reported to the Pensions Committee and Board on a quarterly basis. Where employers fall short of expected standards, the Fund actively manages this through assistance and education.
- Investment performance of the assets held by the Fund is also report and monitored by the Pensions Committee on a quarterly basis. There have been no concerns regarding manager performance during 2022/23.

The Pension Fund also has a [Business Plan](#) which highlights the major tasks to be undertaken by the Fund during the year. The Fund identified ten key tasks for 2022/23, seven of these were completed successfully during the year, however, the remaining three are still outstanding. These are:

- **Annual Reporting and Accounts:** The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors. Delayed receipt of external audit opinion due to an issue with the County Council's main accounts meant Pension Fund accounts were published by 1 December without the opinion. An unqualified opinion is expected to be issued at the same time as the County Council receive their opinion.
- **Implementation of the Good Governance Review:** The guidance was not published during the year; however, the Fund has participated in consultations during the year and once enacted the Fund will review and implement its recommendations.

# ANNUAL GOVERNANCE STATEMENT 2023

- **Staffing and Structure Review:** Following the workload review in 2022, a new post was agreed for a Principal Investment, Accounting and Governance Officer. Unfortunately the recruitment to this post was unsuccessful, so a career grade post has been identified to grow someone into the role.

During 2022/23 no significant governance concerns or areas for improvement were identified.

## Roles and Responsibilities

### Monitoring Officer

The Chief Legal Officer is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution](#).

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority.

More details on the Monitoring Officer can be found in [here](#).

### Chief Finance Officer

The Council has designated the Executive Director Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. They lead and direct the financial strategy of the Council.

They are a member of the Council's Leadership Team and have a key responsibility to ensure that the Council controls and manages its money well. They must be able to operate effectively and perform their core duties in compliance with the CIPFA Statement on the role of the Chief Finance Officer.

The Executive Director – Resources is also the Scheme Manager for the Local Government Pension Scheme for Lincolnshire, under the Public Service Pensions Act 2013. They are responsible for the payment of statutory pensions and the management of the assets of the Pension Fund.

### Senior Information Risk Owner

The Executive Director – Resources is the designated Senior Information Risk Owner with responsibility for strategic information risks and leads and fosters a culture that values, protects and uses information in a manner that benefits the Council and the services it delivers.

The Senior Information Risk Owner also ensures an appropriate governance framework is in place to support the Council in meeting its statutory, regulatory, and third-party information obligations, and which mitigates information risk from internal and external threats.

# ANNUAL GOVERNANCE STATEMENT 2023

## **Head of Internal Audit**

The Head of Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk, and control framework and therefore the extent to which the Council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the Head of Internal Audit is included within this statement.

The Head of Internal Audit is required to operate effectively and comply with the CIPFA Statement on the role of the Head of Internal Audit.

## **Data Protection Officer**

The Data Protection Officer is a statutory role which supports the council in meeting its obligations under data protection legislation. The role monitors the council's ongoing compliance, provides advice and guidance on all data protection matters, and acts as a point of contact for data subjects and the Information Commissioner's Office.

## **Director of Public Health**

The Director of Public Health (DPH) has a statutory duty to produce an annual, independent report on the state of the health of the people they serve. North East Lincolnshire Council (NELC), North Lincolnshire Council (NLC) and Lincolnshire County Council (LCC) collaborated to produce 2022's report as part of the Greater Lincolnshire Public Health Pilot. The Annual Report was presented to the Executive in January 2023 and is available [here](#).

## **Council Managers**

Our managers have day to day responsibility for services and are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes, and controls. Their role includes ensuring compliance.

## **Corporate Leadership Team**

Our corporate leadership team oversee the Council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers whose role is to support the Council to ensure that it complies with the standards of good governance.

**The Leader of the Council, Chief Executive and Executive Director - Resources have overseen the review of our governance arrangements and have signed the Annual Governance Statement.**

# ANNUAL GOVERNANCE STATEMENT 2023

## Effective Scrutiny and Review

### Overview and Scrutiny Management Board (OSMB)

The Council's Overview and Scrutiny Committees, co-ordinated by the [Overview and Scrutiny Management Board](#) exist to review and scrutinise the activities of the Council including any decisions made by the Executive, Executive Councillor or Chief Officers.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge as a 'critical friend'.
- Give voice to public concerns.
- Support improvement in services.
- Provide independent review.

At the Council there is a preference for pre-decision scrutiny, the benefits of which are recognised by both the Executive and Scrutiny Councillors.

### Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability, and reviewing the ways things are done.

It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud, and financial accountability. The Committee exists to challenge the way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk, and control environment.

[Find out more about the Audit Committee here.](#)

### Pensions Committee

The role of the Pensions Committee is to:

- Ensure appropriate policies are in place for management of the Fund.
- Monitor Fund performance, including investment managers, fund administration and other third-party providers.
- Approve statutory documents, including the Annual Report and Statement of Accounts; and
- Consider any other matters relevant to the operation and management of the fund.

The Pensions Committee comprises of eight county Councillors, who represent the political balance of the Council, plus three co-opted members who represent other Fund employers and individual Fund participants. The Committee meets six times a year.

The full terms of reference for the Pensions Committee are set out in [Part 2 of the Council's Constitution](#).

# ANNUAL GOVERNANCE STATEMENT 2023

## **LGPS Local Pension Board**

The purpose of the Board is to assist the Administering Authority in its role as a manager of the Lincolnshire Scheme:

- To ensure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme; and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- To ensure the effective and efficient governance and administration of the Scheme.

The Board comprises of two scheme member representatives and two employer representatives, plus one additional member, an Independent Chair, who is not entitled to vote. The Board meets quarterly.

Further information on the Local Pension Board can be found [here](#).

## **Full Council**

The Annual Governance Statement is brought to the attention of the full Council.

## **External Audit**

The Council's financial statements and annual governance statement are an important way we account for our stewardship of public funds.

Mazars, our external auditors, audit our financial statements and provide an opinion on these. They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

They also review the annual governance statement to assess if it accurately reflects their understanding of Council.

## **Information Assurance**

Information Assurance (IA) is the process of identifying and managing information risk through the application of effective and balanced controls. It supports good governance by implementing a corporate framework which promotes a positive information culture, encourages good practice, and sets out clear responsibilities.

IA is also fundamental in meeting our legal and regulatory obligations, by ensuring that information, particularly personal data, is used in a way that is lawful, fair, transparent, and secure.

More details on Information Assurance can be found in the [Annual Report 2022/23](#).

# ANNUAL GOVERNANCE STATEMENT 2023

## How we Deliver Assurance

How do we assure ourselves about how the council is run?

### Management

Accountable for delivery



### Corporate and third party

External inspections and internal assurance functions



### Internal audit

Independent assurance



Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.

Using the outcome of internal audit work to provide independent insight and assurance opinions.

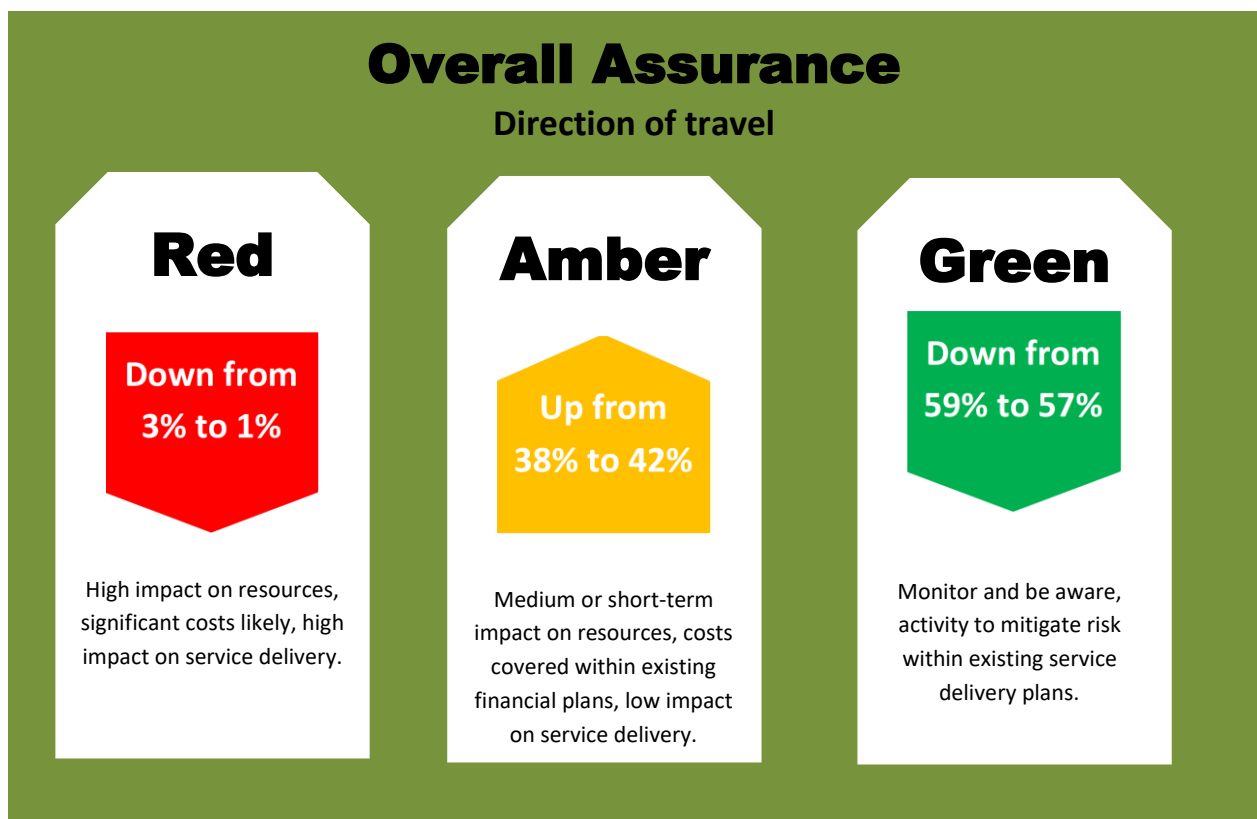
Considering other information and business intelligence that feed into and has potential to impact on assurance

# ANNUAL GOVERNANCE STATEMENT 2023

## The Council's Assurance Levels

Overall, there is a positive assurance picture for the Council it reflects the complex environment in which we operate. Through the development work for the Annual Governance Statement, two areas for improvement have been identified. These two areas will support our aims in the delivery of continuous improvement to governance. They are:

- Developing further links between the delivery of our Corporate Plan and how resources are utilised in that delivery. This will further strengthen our governance and aid transparency.
- Further develop the One Council approach designed to encourage and deliver effective team working, drawing on the strengths and expertise across the Council for a joint purpose.



## Head of Internal Audit Opinion

The opinion of the Head of Internal Audit is given for 2022/23 on four areas of Council assurance:





- **Governance** (how the Council is run)
- **Risk** (the risks to the Council's operations)
- **Internal controls** (the processes in place to ensure compliance)
- **Financial controls** (the processes in place to ensure we manage our finances appropriately)

# ANNUAL GOVERNANCE STATEMENT 2023

## Background & Context

It has been another challenging year for the Council continuing to respond to and support recovery from the pandemic. Its systems and processes have operated effectively during this time both remotely from the developed hybrid delivery, supporting staff working at home and in the office.

For the twelve months ended 31 March 2023, based on the work we have undertaken and information from other sources of assurance; my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is:

<b>Governance</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
<b>Risk</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
<b>Financial Control</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

More details on the Head of Internal Audit Annual opinion and internal audit can be found in the Annual Report 2023 [here](#).



# ANNUAL GOVERNANCE STATEMENT 2023

## Appendix 1 – Governance Framework

Where do we need assurance?

Where can / do we get assurance from?



**Compliance**



**Constitution**



**Democratic engagement & public accountability**



**Audit committee, council executive & scrutiny**



**Management of risk**



**Internal & external audit**



**Financial management**



**Independent & external sources**




**Members & Officers roles & responsibilities**




**Financial strategy**



**Standards of conduct & behaviour**




**Complaints system, counter fraud & whistle blowing.**



**Action plan approved & reported on.**



**HR policies & codes of conduct**




**Effectiveness of Internal controls**



**Risk management strategy & framework**



**Services delivered.**



**Performance management system**

# ANNUAL GOVERNANCE STATEMENT 2023

## Appendix 2 - Strategic Risk Register

Effective risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change. This may involve making informed decisions from balancing risk, quality, cost, and affordability.

This has put us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is reviewed regularly, and our risks are being effectively managed.

Risk	Update	Risk Rating	Level of Assurance	Direction of Travel
<b>Budget - LCC</b> Funding and maintaining financial resilience	Continued substantial assurance due to ongoing work.	Amber	Substantial	Static
<b>Cyber</b> The risk of a successful cyber-attack against the council with significant / critical impact	No change to the assurance level for this risk, however new controls have been added and work is ongoing	Red	Limited	Improving
<b>Inflation</b> Continued high inflation undermines capital programme impacting aspirations and threatens the sustainability of revenue budgets.	This is an improved risk, with lower impact and substantial assurance. This is due to the work undertaken to mitigate the impacts on the Council. Inflation is now built into budget setting.	Red	Substantial	Improving
<b>IT Infrastructure</b> IT Infrastructure - ability to implement transformational aspirations and deliver BAU	Following a recent appointment this risk and its associated controls are being given further consideration, but it is considered the overall direction of travel is improving.	Amber	Limited	Improving
<b>Market Supply</b> Adequacy of Social Care market supply to meet eligible needs as defined in the Care Act	Nationally the care sector is volatile, this impacts on our ability to source adult care providers. Work is ongoing to improve this risk, including intervention, winter discharge funding distribution via grant agreement.	Amber	Limited	Deteriorating
<b>Outstanding Debt</b> Securing efficient and effective end-to-end processes for the recovery of income due to the Council	Good governance and procedures in place to lower outstanding debt amounts.	Amber	Substantial	Improving

# ANNUAL GOVERNANCE STATEMENT 2023

Risk	Update	Risk Rating	Level of Assurance	Direction of Travel
<b>Projects</b> Ability to deliver our Transformation programme	There have been further improvements to governance around this particular risk, the assurance level remains substantial.	Amber	Substantial	Improving
<b>Recruitment &amp; Staffing</b> Ability to recruit & retain staff in high-risk areas	This risk remains at limited assurance, despite ongoing work in hard to recruit and retain areas. Without this work, this risk would be at deteriorating direction of travel.	Amber	Limited	Static
<b>Resilience (Business Continuity)</b> Capacity and resilience to respond to, and recover from, wider area and prolonged emergencies and business disruption (e.g., coastal flooding / pandemic flu) impacting on public safety, continuity of critical functions and normal service delivery	There continues to be a good level of assurance around the controls and the risk is being effectively managed.	Amber	Substantial	Static
<b>Safeguarding Adults</b>	The risk is managed effectively; controls provide a good level of assurance.	Amber	Substantial	Improving
<b>Safeguarding Children</b>	Continued substantial assurance around this risk, regularly evidenced by Ofsted reports.	Amber	Substantial	Improving
<b>Serco Contract</b> Exit of Serco contract ending and transition into the new arrangements	A much-improved risk due to the extension of the IMT aspect lowering the impact on the Council.	Amber	Substantial	Improving
<b>Strategic Contracts</b> Ensuring contracts and markets (other than adult care) are fit for purpose & are managed effectively	No change to the assurance level for this risk. However, strategic contracts are now reported at CLT with metrics to highlight contractors facing difficulties.	Amber	Limited	Improving

# ANNUAL GOVERNANCE STATEMENT 2023

Risk Rating	Level of Assurance	DoT
<b>Red</b> - High impact on resources, significant costs likely, high impact on service delivery	<b>High</b> - A High level of confidence on delivery arrangements, controls, and management of the risk.	Improving
<b>Amber</b> - Medium- or short-term impact on resources, cost covered within existing financial plans, low impact on service delivery.	<b>Substantial</b> - A Substantial level of confidence on delivery arrangements, controls, and management of the risk.	Static
<b>Green</b> - Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements.	<b>Limited</b> - A Limited level of confidence on delivery arrangements, controls, and management of the risk.	Deteriorating
	<b>Low</b> - A Low level of confidence on delivery arrangements, controls, and management of the risk.	

# GLOSSARY

<u>A</u>	Academy Schools	Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.
	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.
	Accounting Policies	The principles, bases, conventions, rules, and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.  Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
	Accruals	Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.
	Amortisation	The term used to describe the charge made for the cost of using intangible non-current assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).
	Appropriation	The transfer of sums to and from reserves, provisions and balances.
	Asset	An item having value to the Council in monetary terms, categorised as: <ul style="list-style-type: none"> <li>• 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for the purpose of current service provision, trading or the Council expects to realise the assets within 12 months after the reporting date.</li> <li>• 'Non-current assets' do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).</li> <li>• 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value.</li> <li>• 'Heritage Assets' are of an historic nature, including buildings and collections, which are held by the Council.</li> <li>• 'Intangible Assets' are without physical substance. Examples include computer software and licences.</li> </ul>

# GLOSSARY

	Audit of Accounts	An independent examination of the Council's financial affairs.
<u>B</u>	Balances	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
	Balance Sheet	Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the non-current assets held.
	Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds.
	Budget	The forecast of net revenue and capital expenditure over the accounting period.
<u>C</u>	Capital Charges	This is a general term used for the notional charges made to service expenditure accounts for the use of non-current assets. The term covers depreciation and impairment charges (included in gross expenditure).
	Capital Expenditure	Expenditure on assets which have a long term value. Includes the purchase of land, purchase, or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
	Capital Financing (Costs & Requirements)	Costs - These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.  Requirements - Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.
	Capital Grants Unapplied Account	Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.
	Capital Receipts	Proceeds received from the sale of property and other non-current assets.
	Carrying Amount	The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).
	Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

## GLOSSARY

	Cash Flow Statement	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
	Comprehensive Income & Expenditure Statement (CI&ES)	This statement reports the net cost of all the services which the Council is responsible for and demonstrates how that cost has been financed.
	Contingent...	<p>...Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.</p> <p>...Liabilities are potential costs the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.</p>
	Creditors	Amounts owed by the Council for work done, goods received, or services rendered but for which payment has not been made at 31 March.
<u>D</u>	Debtors	<p>Sums of money owed to the Council but unpaid at 31 March.</p> <p>Long Term Debtors are sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.</p>
	Defined Benefit Scheme	Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.
	Depreciation	<p>The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.</p> <p>Straight Line basis is the method of calculating depreciation by charging the same amount each year over the asset's life.</p>
	Depreciated replacement cost (DRC)	Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

# GLOSSARY

<u>E</u>	Employee benefits	<p>Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.</p> <p>Short Term Employee Benefits (other than termination benefits) fall due wholly within 12 months after the end of the period in which the employees render the related service.</p>
	Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
<u>F</u>	Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.
	Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
	Financial...	<p>...Assets are a right to future economic benefits controlled by the Council.</p> <p>... Liabilities are an obligation to transfer economic benefits controlled by the Council.</p>
	Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).
	Foundation Schools	Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.
<u>G</u>	General Fund	The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.
	Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
	Government Grants	Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.



# GLOSSARY

	Grants and Contributions	Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.
I	<u>Impairment</u>	A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence, or a general decrease in market value.
	International Accounting Standard (IAS)	Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.
	International Financial Reporting Standards (IFRS)	Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
	Inventories	Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.
L	Leases	<p>A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.</p> <ul style="list-style-type: none"> <li>• Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.</li> <li>• Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.</li> </ul>
	Lessee	The person or organisation that is using or occupying an asset under lease (tenant).
	Lessor	The person or organisation that owns an asset under lease (landlord).
	Liabilities	<p>A present obligation to transfer economic benefits.</p> <p>Current liabilities are payable within one year.</p>
	Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty or can be 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

## GLOSSARY

		service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
<u>M</u>	Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
	Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
<u>N</u>	Net Book Value	The value of non-current assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.
	Net Debt	The Council's borrowings less liquid resources.
	Non Distributed Costs	These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.
<u>O</u>	Off Balance Sheet	Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual'.
	Operations (Acquired & Discontinued)	Operations comprise services and division of service as defined in SERCOP. - Acquired operations are those that are acquired in the period by the Council. - Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.
<u>P</u>	Pension fund accounts	This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.
	Precept	The amount levied by one Authority which is collected by another e.g. Lincolnshire is the precepting Authority and the District Councils are the collecting Authorities of Council Tax. Water

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		Authorities also precept on the Council for land drainage purposes.
	Previous Year Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
	Principal	The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
	Private Finance Initiative (PFI)	A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.
	Projected Unit Method	<p>An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> <li>• the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and</li> <li>• the accrued benefits for members in service on the valuation date.</li> </ul>
	Property, Plant & Equipment	<p>Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.</p> <ul style="list-style-type: none"> <li>• Land and buildings.</li> <li>• Vehicles, plant, furniture, and equipment.</li> <li>• Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges, and footpaths).</li> <li>• Community assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country &amp; coastal parks, and picnic sites).</li> <li>• Surplus assets are non-current assets held by the Council but not directly occupied, used, or consumed in the delivery of services.</li> <li>• Investment properties are land or buildings held to earn rental income or for capital appreciation or both.</li> <li>• Assets under construction are non-current assets which include expenditure capitalised for work in progress in</li> </ul>

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		<p>respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.</p> <ul style="list-style-type: none"> <li>• Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.</li> </ul>
	Provision	This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.
	Prudential Indicators	A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent, and sustainable.
	Public Works Loan Board (PWLB)	A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.
<u>R</u>	Recognition	The process upon which assets are deemed to belong to the Council either by purchase, construction, or other forms of acquisition.
	Related party	These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.
	Reserves	<p>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 Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.</p> <p>Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.</p>

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	<p>Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes.</p> <p>Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.</p>
Retirement Benefits	<p>Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.</p> <p>Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.</p> <p>Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:</p> <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or</li> <li>• The actuarial assumptions have changed.</li> </ul> <p>Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.</p> <p>Defined benefit plans are post-employment benefit plans other than defined contribution plans.</p> <p>Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.</p> <p>Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.</p> <p>Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).</p>
Revaluation Gain	The increase to the fair value of an asset following a valuation.
Revenue Contributions	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

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	Revenue Expenditure	The day to day expenditure on such items as employees and equipment.
	Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which may be funded from capital, but which does not result in non-current assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.
<u>S</u>	Service Reporting Code of Practice (SERCOP)	Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.
	Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
<u>T</u>	Termination Benefits	Employee benefits paid upon termination of employment such as redundancy.
	Treasury Management	The utilisation of cash flows through investments and loans.
	Trust Funds	Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.
<u>U</u>	Useful Life	The period with which an asset is expected to be useful to the Council in its current state.