Lincolnshire County Council

Statement of Accounts

2023 to 2024

Lincolnshire
COUNTY COUNCIL
Working for a better future

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Introduction to the Accounts

The Statement of Accounts for the year 2023/24 is set out on pages 29 to 32.

The purpose of the published Statement of Accounts is to give electors, local taxpayers, 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 focuses on explaining the more significant features of the Council's financial activities during the period 1 April 2023 to 31 March 2024. It includes a review of non-financial performance indicators and an assessment of future financial and economic developments that could affect the Council. 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 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

1. Introduction

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1st April 2023 to 31st March 2024. 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 2024/25 and beyond.

The accounts themselves, which follow this Narrative Report, provide information about the Council's financial performance during 2023/24 and about our financial position on 31st March 2024. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the main elements of the accounts are shown in the table of contents on pages 2 to 4. This means that almost all the information reported in these accounts follows generally accepted accounting principles and provides a consistent basis upon which to compare 2023/24 with 2022/23. 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 46.

2. 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 775,000. There is one city in Lincolnshire, which is Lincoln, one of seven districts within Lincolnshire, 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 several 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 we have a Corporate Plan for 2020 to 2030, which was refreshed in 2023. This plan 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 2023/24, and we take a "One Council" approach which means that related services across the Council join 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.

3. Financial Highlights

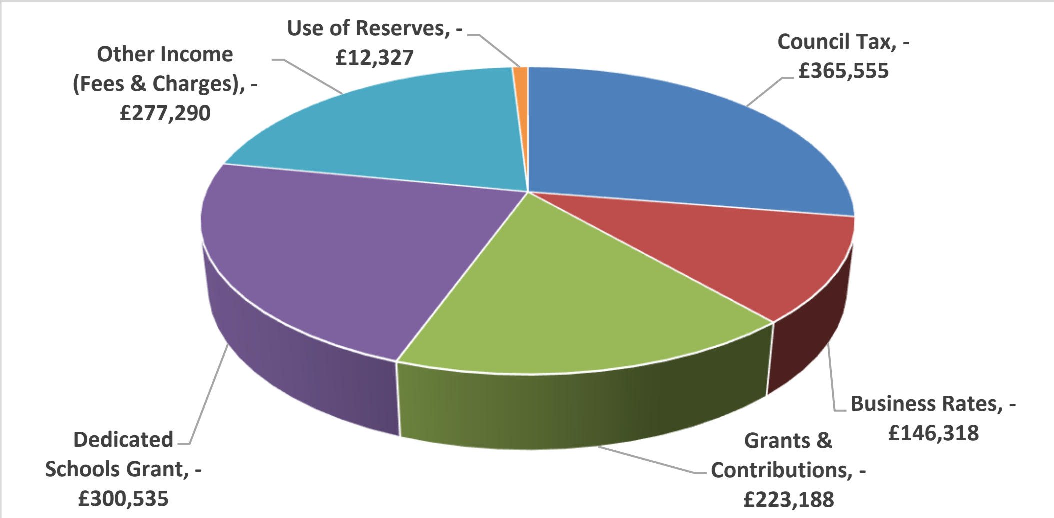
There are 4 core financial statements within this Statement of Accounts, which provide a summary of our financial performance and financial position at the end of the year. These statements can be found on pages 29 to 32 and are supported by comprehensive disclosure notes which give more detail on the Council's substantial transactions during the year.

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 2023/24 and the Pool is expected to generate an estimated surplus for us of £3.000m. In 2023/24 we increased Council Tax by 4.99% and saw growth of 1.33% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for us of £21.824m. In total, funding in 2023/24 amounted to £1,325.213m (£1,226.339m in 2022/23). The following pie chart shows the amounts and proportion received from each main source of funding:

NARRATIVE REPORT

Sources of Income Analysis 2023/24 £1,325,213 (£000's)



<u>The Council's Expenditure</u>

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 2023/24" report to the Executive on 2 July 2024 (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 2023/24 (£000's)

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spending
Service Areas	£'000	£'000	£'000	%
Children's Services	104,563	103,084	- 1,479	-1%
Adult Care and Community Wellbeing	185,222	185,291	70	0%
Place	128,072	131,785	3,713	3%
Fire & Rescue	24,471	24,556	85	0%
Resources	82,311	77,378	- 4,933	-6%
Corporate Services	3,056	2,831	- 225	-7%
Total Service Areas	527,696	524,926	- 2,770	-1%
Total Other Budgets	101,544	96,943	- 4,601	-5%
Total Net Expenditure Excluding Schools	629,240	621,869	- 7,371	-1%
Total Movement of Reserves	- 37,931	- 37,931	-	0%
Total Income	- 604,442	- 608,416	- 3,974	1%
Total Excluding Schools	- 13,133	- 24,478	- 11,345	
Total School Budgets	13,133	- 1,126	- 14,259	-109%
Total Including Schools	0	- 25,604	- 25,604	

By the end of the second quarter of the year, an underspend of £18.421m had been forecast. Several factors contributed to this position, including business rates pooling income that was unbudgeted, an underspend on insurance, additional income from the Energy from Waste facility and the sale of electricity, additional income from Traffic Regulation Orders from fines to utility companies for access to the highways network, and lower than expected energy costs.

The underspend provided an opportunity to make some capital investments specific to the services where those underspends had arisen and the Executive agreed in December 2023 to use the underspends for capital projects within those service areas, including improvements to Waste Transfer Stations, investment in the electrification of Cross Keys Bridge and continuing the investment in LED street lighting. This totalled around £9m. The Executive also approved the spending of a further £4m from this forecast underspend on flood investigations and alleviation.

At the end of the year, there was an underspend of £14.259m relating to the Dedicated Schools Grant. This includes the maintained schools brought forward school balances from prior years and the 2023/24 financial performance (£12.789m). The Dedicated Schools Grant is a ring-fenced amount and will be automatically carried forward to use in 2024/25 in accordance with the grant conditions.

The underspend on service budgets this year was £2.770m (0.5% of the budget). Of the service areas' underspend, £4.933m (6%) of this was in the Directorate of Resources. This was mainly due to lower than budgeted energy costs, a result of the ongoing decrease in the unit cost price received throughout the year, generating a saving of £1.9m and Business Rates refunds of £2.9m received on key cultural sites, following an appeal launched on Culture assets by the Council's property contractor, which was backdated to 2017.

The Children's Services Directorate had an overall underspend of £1.479 (1.4%). This area is highly volatile and demand-led, which left unmanaged could lead to material financial shifts taking place. The position has been managed overall in 2023/24 through effective cost mitigation strategies, transformation and robust demand management.

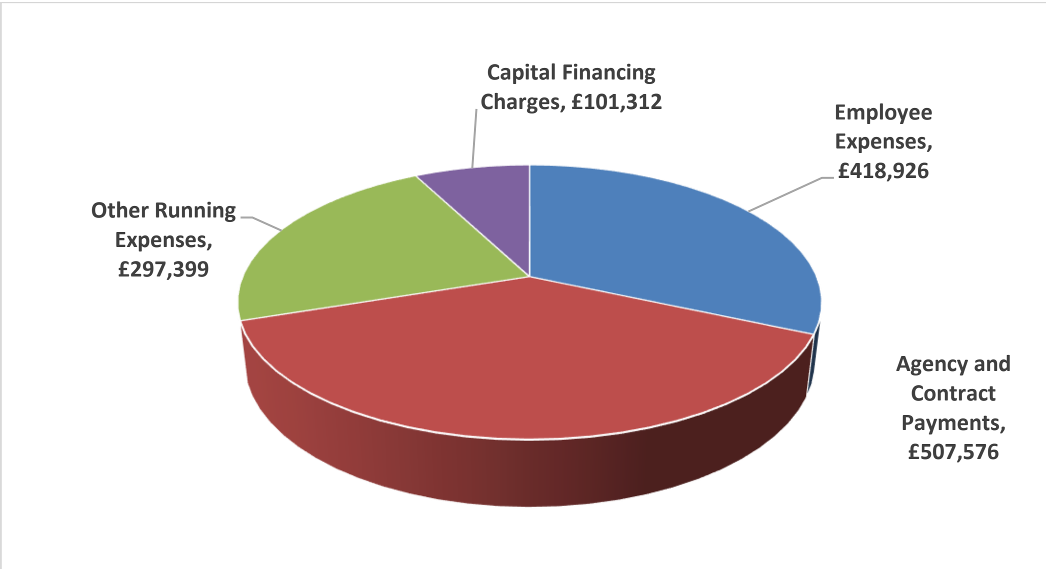
The most material overspend this year was within the Place Directorate, which overspent in total by £3.713m (2.9%). The majority of this overspend related to Home to Schools Transport (£3.585m). This area has seen a significant rise in costs over the last five years which is due to several factors. Firstly, the wider market impacts of providing a transport service, that of increased living wage, cost inflation and increased fuel and vehicle prices, but also because the number of children being transported has significantly increased, especially for chose children with special educational needs.

Other Budgets underspent by £4.601m mainly due to an underspend on insurance premiums 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 £3.974m. This was mainly due to an estimated surplus on Business Rates Pooling of £3.000m which had not been budgeted, plus an additional amount of £0.561m received for Business Rates Pooling related to the previous financial year 2022/23 over and above the amount assumed in the 2022/23 accounts. We also received a government grant for Business Rates reconciliations relating to prior years.

In total, we spent a gross amount of £1,325.213m in 2023/24 (£1,196.514m 2022/23). After taking account of fees, charges, and other contributions towards services, this was a net amount of £597.071m (£522.555m 2022/23). 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.

Gross Expenditure Subjective Analysis 2023/24 £1,325,213 (£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 2023/24 was an underspend of £22.352m (£49.819m in 2022/23), with the overall gross position being an underspend of £20.864m (£51.387m in 2022/23). The main reasons for the differences between planned and actual capital spending are explained in the "Review of Financial Performance 2023/24" report to the Executive on 2 July 2024 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 2023/24 (Summarised) (£000's)

	Gross Programme		
	Actuals £'000	Revised budget £'000	Gross Outturn Variance £'000
Adult Care & Community Wellbeing	9,105	9,321	-215
Children's Services	39,048	36,651	2,397
Place	137,894	157,722	-19,828
Fire and Rescue	2,283	2,266	16
Resources	9,108	11,935	-2,828
Other Programmes	0	406	-406
	197,437	218,301	-20,864

In contrast with the revenue budget, capital investment is often planned over a multi-year period and therefore variances within the capital programme tend to reflect timing of expenditure, rather than an underlying variance.

The most significant underspends during 2023/24 were in the Place and Resources Directorates. The majority of these were as a result of various projects being re-phased into 2024/25.

Place

Integrated Transport – (£1.201m) Underspend.
The Council was able to use external funding and grants to fund some of this year's works, resulting in an underspend, which will be carried forward into 2024/25.

Heritage/archives – (£1.535m) Underspend.
Works associated with The Collection / Lincoln Museum, including rebranding, did not take place until later in the financial year and therefore the underspend is to be carried forward to 2024/25 to match the revised delivery timescales.

Other Highways – (£2.573m) Underspend.
The outturn variances relates to puffin / zebra crossing projects which have not yet fully spent/delivered. The remaining budget will be carried forward to 2024/25.

Grantham Southern Relief Road – (£5.168m) Underspend.
This scheme has been subject to project delays, and during the year budget was removed from 2023/24 and allocated into future years' budgets to reflect this. The underspend at the end of the year also needs to be carried forward into future years so that the overall budget remains aligned to the revised delivery timescales.

Spalding Western Relief Road (Section 5) – (£3.836m) Underspend.
The budget includes elements for both section 5 and section 1 of this scheme. Section 1 has not yet started, and therefore the related budget needs to be carried forward to future years.

North Hykeham Relief Road – (£1.461m) Underspend.
The Council was able to make use of an additional £1m grant received in the year to help fund this scheme. The resulting underspend will be carried forward to 2024/25 to align with the scheme delivery start date which is set as 2024/25.

Lincoln Eastern Bypass – (£1.576m) Underspend.
This road has been built and is in use. Following the operational completion of a large project such as this, there are remaining financial matters and transactions to be concluded and the budget in 2023/24 reflected this requirement. These matters were not all completed by the end of 2023/24 and the underspend will be carried forward to next year.

A16 Levelling Up Fund (LUF) – (£5.962m) Underspend.
This scheme started in September 2023 and the Council was able to use some grant funding to fund some of this year's works. The overall programme remains on target and the underspend will be carried forward to 2024/25 to ensure that the budget remains aligned to activity.

Highways Asset Protection – £6.610 Overspend
This overspend has been caused by two separate issues. Around £2.9m relates to the planned overprogramming of works which ordinarily would be mitigated via periods of poor weather. This overspend will be carried forward to 2024/25 to be funded by next year's budget. The remaining element is due to a budget error which will be rectified in 2024/25.

<u>Resources</u>
Property repair and maintenance – (£1.640m) Underspend
The underspend is primarily the result of underspends within two major schemes: Alford Windmill and Willingham Highways depot. The underspends will be carried forward to next year in line with revised delivery timescales. The Alford Windmill requires specialised works and therefore delivery timescales are inherently less certain.

Children's Services

SEND Reorganisation – £1.303m Overspend.

This was due to an accelerated programme of work at St Christopher's school to ensure that it is available from the start of the new academic year. This is a spending profile matter rather than an overspend on the whole scheme budget.

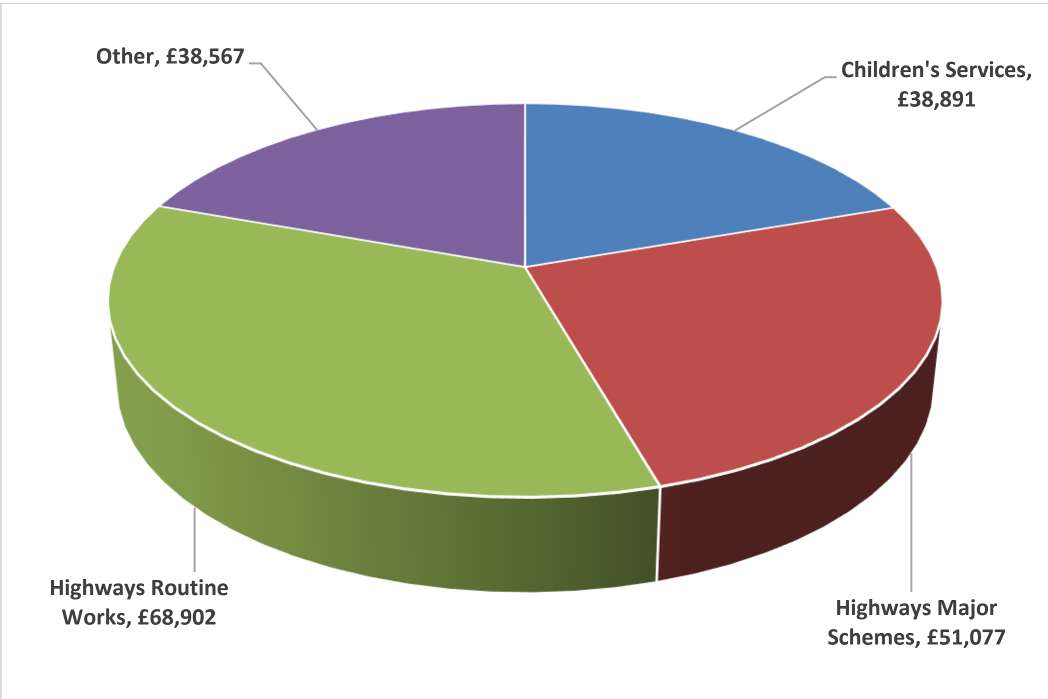
For 2023/24 we set aside £5.000m in a New Developments Capital Contingency Fund for schemes which emerge during the financial year, and to mitigate against emerging financial risk within schemes already committed to. An underspend of £0.406m remaining at the end of 2023/24 will be carried forward into 2024/25 to fund emerging capital priorities in the new financial year.

During 2023/24 we planned to spend £136.879m gross on capital and £82.657m net after grants and contributions. The major assets which have been progressed during the year are:

- 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 scheme.
- Work commenced during the year on the A16 levelling up fund highways projects.

The pie chart below shows the major areas of capital investment during 2023/24.

Gross Expenditure on Major Investment Projects 2023/24 £197,437 (£000's)



The capital programme was funded by various sources of income totalling £197.437m (£196.279m 2022/23). The following table shows the proportion received from each main source of funding:

Sources of Capital Financing 2023/24 (£000's)

Sources of Capital Financing 2023/24	£'000
Revenue Contributions	37,783
Use of Reserves	5,876
Grants and Contributions	107,594
Capital Receipts	5,794
Borrowing	40,390
Total	197,437

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 31. 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.

31 March 2023 £000's		31 March 2024 £000's
1,741,619	Long Term Assets	1,867,009
343,481	Current Assets	355,879
(227,889)	Current Liabilities	(255,390)
(743,050)	Long Term Liabilities	(734,413)
1,114,161	Net Assets	1,233,085
323,793	Usable Reserves	319,095
	Unusable Reserves	
1,062,444	Re Long Term Assets	1,183,247
(876)	Re Financial Instruments	(850)
(268,742)	Re Pensions	(263,925)
(2,458)	Re Other	(4,482)
790,368	Total Unusable Reserves	913,990
1,114,161	Total Reserves	1,233,085

The Balance Sheet has remained relatively stable this year in comparison to movements seen in previous years. The most significant area of change is long term assets, where the Balance Sheet value has increased by around 7%. This is due to the revaluations of land and buildings.

4. 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 2023/24 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 Council's Corporate Plan 2020 to 2030 sets out our priorities for local residents and communities. Our four ambitions are Support High Aspirations, Enable Everyone to Enjoy Life to the Full, Create Thriving Environments and Provide Good Value Council Services. A report to the Overview and Scrutiny Management board, on 29 February 2024, confirmed that as at quarter 3 of 2023/24 all four of the Council's ambitions are progressing as planned.

Once the full year performance outcomes have been finalised, these will be updated in this Narrative Report, and published in the final, audited Statement of Accounts.

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 2023/24

The budget for 2023/24 was set and approved by the Council in February 2023. It was devised within the context of continuing uncertainty about longer term government funding, growing cost pressures from demand led services such as adult and children's social care, and home to school transport and, following a public consultation on council tax options, an identified need to increase spending on road maintenance within the county. To add to these pressures, we must consider the additional challenges associated with a large geographical and rural coastal county with expansive road networks and an ageing population placing greater demands on these services.

During the 2023/24 year, we have had to deal with a number of cost pressures, amounting to £74.109m in budgetary terms. These included: An allowance of £15.4m for pay inflation to cover both the award for 2022/23, which was agreed above the level budgeted for, as well as an assumed pay award of 4% for 2023/24; an addition to the contingency budget in respect of education transport pressures; the impact of the National Living Wage (NLW) rise in April 2023 on many of our services; the increase in the number of children subject to a Protection plan due to the lasting impacts from the recent health pandemic and the ongoing financial hardship crisis; the pronounced inflationary pressures being experienced in the construction sector as the costs of plant, labour, materials and equipment increase and impact on the Highways maintenance contracts, and the cost pressures incurred from increased energy costs incurred for signals and street lighting.

To help counteract these cost pressures a range of efficiency savings were implemented across all service areas including, but not limited to: Children in Care transformational savings associated with the continued strategic management of placements and the opening of two children's homes, which are both more cost effective but also provide more local and high-quality provision to the child. Savings secured through the ongoing transformational programme of new procurement tools and approaches, improved contract management and an overhaul of routing and demand management activity, rent savings for Fire and Rescue following the purchase of the Waddington Training Centre site. These savings identified for 2023/24 were considered to have minimal impact on users of our services. These reductions in the budget totalled £11.381m.

To give a flavour of what we have been doing over the 2023/24 financial year, some key outcomes and activities are summarised below.

Devolution Deal
One of the most successful outcomes for 2023/24 was that a devolution deal was passed on 13 March 2024 between the government and the three local authorities of: Lincolnshire County Council, North East Lincolnshire Council, and North Lincolnshire Council. There is more information about this deal in the 'Look to the future' section 6. of this report.

Children's Services
Ofsted rated Lincolnshire County Council's children's services as outstanding, following an inspection carried out in April 2023. The April report stated that "Lincolnshire continues to provide outstanding services for vulnerable children and their families. Children and families have benefited from leaders prioritising and investing in services, strengthening the range and offer of support. Leaders have enhanced services in areas identified for improvement at the last inspection in 2019 and further developed support to children who need help and protection. Children and families have access to effective locally based early support services."

Education
To ensure that all children can access high-quality education, as locally as possible, we are investing £100m in improving our Special Educational Needs and Disabilities provision in our schools across the county. During 2023/24 the following projects were completed. The Eresby School in Spilsby opened a new teaching block in May 2023 with a total investment of £6.8m, which included additional classrooms and dedicated suites for therapy, IT, and technology. In June 2023 the new £13m St Christopher's Primary School opened in Lincoln. The new school, for 130 pupils, included 15 classrooms a large hall and dedicated therapy and soft play spaces. July 2023 saw the completion of a £7.8m project to provide a new teaching block and some refurbishment to the existing buildings at Tulip Academy's Waterside campus in Spalding. And a new teaching block and additional refurbishment works, amounting to £8.7m, was also invested in St Bernard's School in Louth, enabling the school to meet all special educational needs.

Road Infrastructure
In the south of the county, investment has been made in major improvements to the A16/A151 roundabout near the Springfields shopping centre, Spalding. Additional entry and exit lanes are being added to both the A16 and A151, to improve traffic flow.

In the west of the county, construction of the final section of the Grantham Southern Relief Road is well underway, with a focus on building the relief road bridge over the Witham Valley, River Witham, and East Coast railway.

Probation Services
The Lincolnshire youth offending service was visited by HM Inspectorate of Probation earlier this year and was rated as 'outstanding'. The service is part of the council's Future4Me team, which supports young people who may be at risk of being in the criminal justice system and/or committing crimes. Inspectors found that the youth offending service was working positively with children and displayed high-quality practice, particularly in cases dealt with through the courts. Inspectors also praised the leadership and governance arrangements within the service, and acknowledged the commitment to ensuring that children receive the most appropriate services and interventions. They were particularly impressed by the in-depth understanding of the issues and challenges facing the children involved with the service.

Tourism
Lincoln Castle has received Visit England's Gold Award, recognising them as among the best visitor attractions in the country. This award celebrates excellence within the visitor attraction sector and Lincoln Castle is one of only four venues in the whole of the East Midlands to receive the award this year. Lincoln Castle attracts hundreds of thousands of visitors and in turn supports the visitor economy not only for the city of Lincoln but for the Lincolnshire tourism sector as a whole. Tourism is one of England's largest and most valuable industries, and across Lincolnshire the sector is worth around £2.39bn to the local economy.

Heritage
Lincolnshire County Council is investing around £1m to update The Collection Museum over the next two years, ready for the museum's 20th anniversary. As part of this investment, the Collection Museum was renamed in April 2023 to become The Lincoln Museum. The refresh of the museum's visitor facilities and gallery spaces was started during 2023 with the aim of all refurbishment work being finished by 2025, ready to mark its twenty-year anniversary.

Adult Social Care Services
Lincolnshire County Council's adult social care services have been rated as providing a 'good' standard of support by the Care Quality Commission (CQC) having volunteered as one of five local authorities to be part of the pilot of the new assessment process. The new

scheme of assessment is intended to establish how well councils meet their care act duties and is also to assess the quality of services provided.

"The assessment praised our focus on preventative healthcare and improving the quality of life of people living in Lincolnshire and recognised our commitment to promoting people's independence and encouraging them to develop their own skills, so there is less need for them to call on formal care and support."

There were a few areas highlighted in the CQC report as needing to be addressed. These included issues with financial assessments and delays in direct payment processing and also the need for greater clarity in the pathways for neuro diverse adults and during the transition for young people moving to adult services. The County Council is actively taking steps to resolve these issues.

The Annual Governance Statement, starting on page 213 includes more detail about some of the Council's activities during the year.

<u>Subsidiary Companies</u>

The council had five wholly owned subsidiary companies at the start of 2023/24. During the course of the year, applications were submitted to dissolve two of these companies. This action was not completed by the 31 March 2024, so the two companies remain on the Companies House register at that date. The Council maintained shareholdings in other organisations but as a minor shareholder. The other three wholly owned subsidiary companies are:

Transport Connect Limited (TCL). This is a passenger transport company incorporated in 2016. The Council has a nominated Director and shareholder representative who is the Chair of the Board of Directors. The Head of Transport attends all board meetings. Accountancy and HR services are independent of LCC. Management accounts are reviewed by LCC financial staff monthly. An Annual Update report was presented to Highways and Transport Scrutiny Committee in October 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 who is the Chair of the Programme Board and controls the strategic direction of the company as owner through reserved matters such as the approval of technical strategy. Monthly reports were provided to the portfolio holder throughout the year.

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 and began trading from January 2024 as Lincolnshire Public Law.

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.

<u>Other Matters</u>
During the year three 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.

5. Governance and Risk (General)

Good governance for us means achieving the outcomes we intend, while 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 Head of Internal Audit states that for the year ended 31 March 2024*, "In my opinion the frameworks of governance, risk management and management controls are **adequate** and audit testing has demonstrated controls to be working in practice. "*

The Strategic Risk Register is regularly reviewed, and risks are being effectively managed. As per the latest Audit Committee minutes, of 25 March 2024, there are fourteen risks included, with two assessed as high risk, with limited assurance. These are:

- the risk of failing to provide an up to date and stable IT infrastructure, relative to the Authority's needs, may which fundamentally impede the Councils ability to achieve its objectives.
- the risk of failing to action appropriate adaptation and mitigation strategies to ensure capacity and resilience from the increased occurrence and magnitude of extreme weather events to our service delivery, asset management and community expectations leading to resource pressures and reputational damage.

The Annual Governance Statement confirms this year that no significant governance issues have been identified but there are some areas of governance improvements. These can be seen in full on page 226 within the Annual Governance Statement. They include:

- Lincolnshire has approximately 165 maintained schools with no systematic audit process in place. During the year three schools received negative assurance ratings. It is recommended the Council instigates a systematic assurance process for all schools.

- The reliability of assurance processes across the directorates and service area was reviewed, one area where insufficient independent assurance was evidence related to IT. During 2023/2024 a significant investment was made to provide a number of staffing appointments which has provided the setting to enable improvements in the reporting, development, progression and external assurances required for this critical activity.

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.

6. Look to the Future

Economic Climate

Lincolnshire County Council set a one-year detailed budget for 2023/24 which was aligned to the one-year financial settlement from the government. Alongside this, we prepared a three-year budget plan up to 2026/27, using reasonable assumptions to estimate our likely financial position over this period.

Government plans for public spending and how this will be financed reflect the size of the UK economy. Inflation has fallen from a recent peak of 11.1% to 3.2% as at the end of March 2024. It is not expected to return to below the 2% target rate until 2025 which is later than originally forecast by the Government. This therefore impacts upon any financial planning within the Council. In addition to this the bank base rate, and the associated cost of borrowing, has increased from 3% in December 2022 to 5.25% at the end of 2023/24. This creates further financial challenges. The economic environment therefore continues to be a significant risk for the Council if the financial assumptions made about borrowing/saving rates, the movement in inflation and the impact this has on the Council's cost base are not accurately forecast.

This in turn, would 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 "Increased costs and demand, outstripping the funding available threatening financial sustainability") is included in the Council's strategic risk register per the Audit Committee minutes of 25 March 2024.

We have determined that the risk of financial resilience is well managed because the Council is in a relatively strong financial position on 31 March 2024. This is evidenced by an adequate level of general reserves (£16.400m), as well as a Financial Volatility earmarked reserve (£46.922m) which will support us in transitioning towards a lower base budget over the medium term. We have a healthy level of short-term investments, shown in the Balance

Sheet on page 31, which support our cash flow liquidity requirements. We were able to set a balanced budget for 2023/24 and we have a good track record of achieving savings when required. Our view on the Council's overall financial resilience is shown in the section below on page 23.

Other Matters

Devolution

As stated on page 17 one of the most successful outcomes for 2023/24 was that a devolution deal was passed on 13 March 2024. This secures the following:

- a 30-year investment fund worth £720m to level-up the whole of Greater Lincolnshire,
- a stronger role in setting and delivering Greater Lincolnshire's priorities,
- control over a range of powers and budgets currently administered by central government,
- additional powers to tackle challenges and make the most of our economic potential so everyone who lives and works here benefits,
- £28m for new a raft of projects to create new jobs,
- a new mayor to give Greater Lincolnshire a louder voice, more influence, and a higher profile, locally, nationally, and globally,
- even more chances to work together across boundaries and borders.

Corporate Support Service Review

The Corporate Support Services contract with Serco Group PLC, which included the provision of IT Services, Finance Services, HR Administration & Payroll, and the Customer Service Centre expired at the end of March 2024 and could not be extended further with the existing provider, due to procurement rules.

Approval was therefore sought from the Executive for the mix of new commissioning arrangements as part of the future model of delivery and authority to commence a procurement for the proposed remaining outsourced service.

After decisions made by the Executive, the following changes occurred on 1st April 2024:

- Customer Service Centre operations were outsourced under a new contract.
- HR and payroll services were insourced.
- Finance services were insourced.

Highways

In addition to all the standard maintenance and repairs that Lincolnshire County Council carry out each year, a total of £360 million is due to be spent, over the next five years, on brand-new infrastructure and major improvements.

A planning application for the new North Hykeham Relief Road was officially submitted in October 2023. Construction of the new road, which will cost between £180m and £208m, construction is expected to start in 2025 and take up to three years to complete. The investment will bring huge benefits to the county as it forms an integral part of the route to the coast, helping us to meet the area's tourist growth target and will better connect the A46 between the Midlands through to the Humber ports.

Adult Social Care

In Welton, building work has begun on a multi-million-pound housing development, for the over 55's and for individuals with additional care and support needs. with plans for 62 apartments and 10 bungalows to be built. This investment will be jointly funded by Lincolnshire County Council, Homes England and West Lindsey District Council, and the scheme will be the latest project from voluntary, non-profitmaking, LACE Housing Association. This housing project responds to the developing care needs of Lincolnshire's residents as they age, giving them both choice and control of both their independence and support needs.

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 2022/23 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 2021/22 report. We are deemed as having a higher relative risk because both the level of our usable reserves and our overall change in reserves has changed in comparison to other Councils. A separate analysis of our usable reserves between 2017/18 and 2023/24 shows that over this period total reserves have increased by 14%, although in 2022/23 and 2023/24 the total has reduced by 4% and 6% respectively. The reduction reflects the planned use of earmarked reserves to support expenditure in those two years, including £7.5m, in 2023/24, for increased spending on highways maintenance following the withdrawal of government grant.

Although our level of reserves has decreased since last year, our reserves stand at £198.614m (including General Reserves but excluding Schools and Public Health reserves). This is higher than the level of reserves in 2018 and includes a Financial Resilience reserve of £46.9m.

Our level of gross external debt has decreased since the year before, and this is because we have repaid existing debt and have not taken on any new loans in the past two years. Instead, we have funded our capital programmes using internal resources.

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 2028. 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.

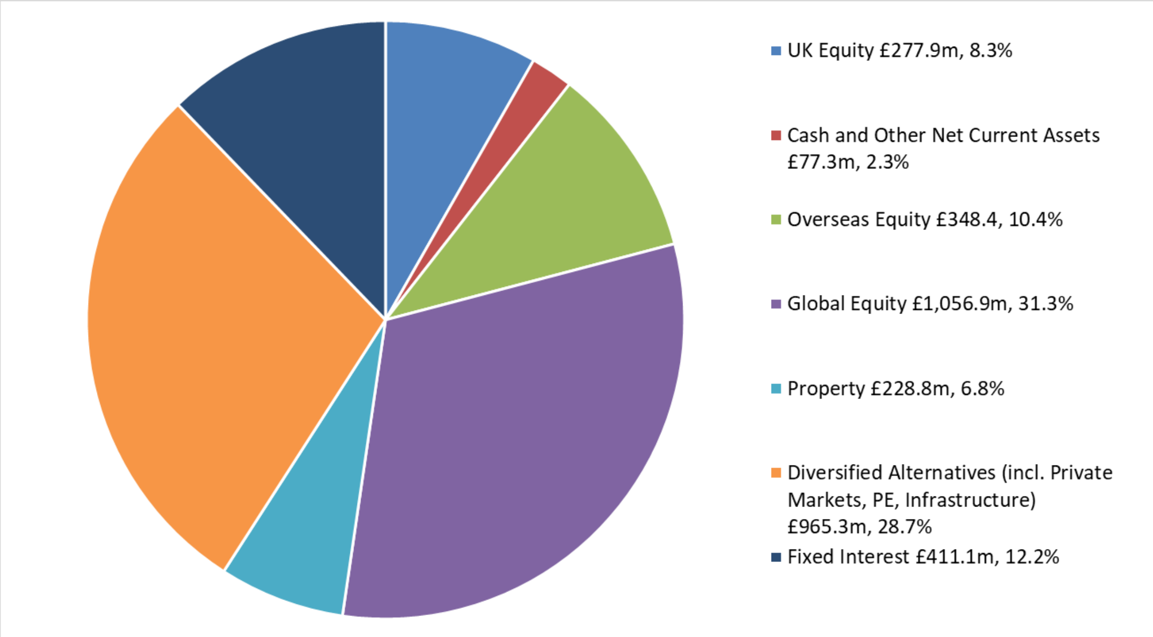
At 31 March 2024 the Fund had 262 contributing employer organisations and just over 80,800 members. This is made up of 25,963 active contributing members, 26,170 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 28,659 pensioners.

Further details on the Fund can be found at Note 1 to the Pension Fund Accounts (pages 167-169) 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 163. 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 the 31 March 2024:

During the year to 31 March 2024 the Fund investment assets have increased in value by £332.1m to £3,365.7m. The overall investment return for the year was (9.99%), this was slightly behind the Fund's specific benchmark return of (11.40%).

At 31 March 2024 the Fund had 56.5% of assets invested with Border to Coast in five sub-funds: UK equities, global equities, overseas equities, investment grade credit and multi-asset credit. The fund has also made an £85m commitment to the global property sub-fund, although no contributions to the fund were made in 2023/24. Further details on the Fund's investments assets 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 2023/24:

2022/23 £'000		2023/24 £'000
(145,157)	Contributions (inc. transfers in)	(164,373)
114,524	Benefits (inc. transfers out)	127,325
(30,633)	Net (additions)/withdrawals from dealings with Fund members	(37,048)
13,745	Management Expenses	13,426
27,521	Return on Investments	(310,775)
10,633	Net (increase)/decrease in Net Assets available to pay benefits	(334,397)

During 2023/24 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 2022/23 as the number of pensioners has increased, and pensions saw an uplift of 10.1% from April 2023.

The return on investments reflects the strong growth seen by the Fund in 2023/24. The majority of this, £288.1m came from the change in value of investments, small gains were made on foreign exchange contracts (£7.8m) and the Fund received £14.9m of income from investments.

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 was a funding level of 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), and the Fund had a small surplus of £18m. The Fund's actuary reassesses the position at the end of each financial year.

During 2023/24 investment returns have been strong, estimated at 10%, the Fund has a positive cash flow, and so the market value of assets as at 31 March 2024 has increased since the formal valuation. However, although the Fund's assets have performed well over the period and have broadly kept pace with the discount rate since March 2022, there has been an increase in liabilities. This has resulted in a reduction to the funding position as at 31 March 2024, which has fallen to 95.6%. Further information is set out in Pension Fund Note 17.

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 a 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 2023/24 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 senior pension fund officers on a monthly basis, and to the Pensions Committee and Board on an annual. 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 2023/24.

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 2023/24 report: Not yet available

Hyperlink to the Corporate Plan and related Performance Data:

Corporate plan – Performance data - Lincolnshire County Council

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: ………………. Dated: ……………….

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 31st March 2024 and of its expenditure and income for the year ended on that date.

Signed: ………………. Dated: ……………….

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 1 APRIL 2023 TO 31 MARCH 2024

2022/23					2023/24		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Directorate	Note	£'000	£'000	£'000
373,707	(213,725)	159,982	Adult Care and Community Wellbeing		413,973	(228,492)	185,481
155,064	(53,606)	101,458	Children's Services		169,761	(65,510)	104,251
3,200	(128)	3,072	Corporate Services		2,793	(61)	2,732
29,621	(2,031)	27,590	Fire & Rescue and Community Safety		27,691	(2,051)	25,640
224,896	(33,397)	191,499	Place		247,170	(42,211)	204,959
88,139	(5,126)	83,013	Resources		89,952	(13,566)	76,386
5,902	(891)	5,011	Other Budgets		521	(1,342)	(821)
365,625	(327,724)	37,901	Schools Budgets		377,659	(351,570)	26,089
1,246,154	(636,628)	609,526	Cost of Services		1,329,520	(704,803)	624,717
5,895	0	5,895	Other Operating Expenditure	(6)	11,620	0	11,620
22,241	(8,831)	13,410	Financing and Investment Income and Expenditure	(7)	23,124	(16,888)	6,236
0	(645,278)	(645,278)	Taxation and Non-Specific Grant Income	(8)	0	(705,176)	(705,176)
1,274,290	(1,290,737)	(16,447)	(Surplus)/Deficit on Provision of Services		1,364,264	(1,426,867)	(62,605)
		(64,761)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(13)			(79,680)
		(227)	(Surplus)/Deficit from Investments in Equity Instruments designated at Fair Value Through Other Comprehensive Income				12
		(611,878)	Remeasurement of the Net Defined Benefit Liability/(Asset)	(13)			24,264
		(72)	Other Recognisable (Gains)/ Losses				(36)
		(676,938)	Other Comprehensive (Income) and Expenditure				(55,440)
		(693,385)	Total Comprehensive (Income) and Expenditure				(118,045)

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

MOVEMENT IN RESERVES STATEMENT 1 APRIL 2023 TO 31 MARCH 2024

2023/24	Note	Total Usable Reserves: General Fund Balance £'000	Schools Reserves £'000	Earmarked GF Reserves (Note 14) £'000	Capital Grants/Deposits Unapplied £'000	Total Usable Reserves (Note 12) £'000	Unusable Reserves (Note 13) £'000	Total Council Reserves £'000
Balance as at 1 April 2023		16,400	29,148	208,971	69,273	323,791	790,368	1,114,159
Total Comprehensive Income and Expenditure		62,605	0	36	0	62,641	55,404	118,045
Adjustments between accounting basis and funding basis under regulations	(11)	(75,025)	0	0	6,809	(68,216)	68,216	0
Contribution to/(from) Earmarked Reserves		12,420	181	(12,601)	0	0	0	0
Increase/(Decrease) in Year 2023/24		(0)	181	(12,565)	6,809	(5,575)	123,620	118,045
Balance as at 31 March 2024 Carried Forward		16,400	29,329	196,406	76,082	318,216	913,990	1,232,204

2022/23	Note	Total Usable Reserves: General Fund Balance £'000	Schools Reserves £'000	Earmarked GF Reserves (Note 14) £'000	Capital Grants/Deposits Unapplied £'000	Total Usable Reserves (Note 12) £'000	Unusable Reserves (Note 13) £'000	Total Council Reserves £'000
Balance as at 1 April 2022		16,400	26,553	217,713	71,792	332,459	88,315	420,774
Total Comprehensive Income and Expenditure		16,447	0	72	0	16,519	676,866	693,385
Adjustments between accounting basis and funding basis under regulations	(11)	(22,668)	0	0	(2,519)	(25,187)	25,187	0
Contribution to/(from) Earmarked Reserves		6,219	2,595	(8,814)	0	0	0	0
Increase/(Decrease) in Year 2022/23		0	2,595	(8,742)	(2,519)	(8,668)	702,053	693,385
Balance as at 31 March 2023 Carried Forward		16,400	29,148	208,971	69,273	323,791	790,368	1,114,159

N.B. The Council does not have a balance in the Capital Receipts Reserve in 2023/24 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 2024

31 March 2023 £'000		Note	31 March 2024 £'000
1,551,806	Property, Plant and Equipment	(15)	1,679,340
67,351	Heritage Assets	(16)	68,669
114,869	Investment Property	(17)	113,782
3,221	Intangible Assets	(18)	1,971
1,260	Long Term Investments	(19)	1,105
3,112	Long Term Debtors	(20)	2,142
1,741,619	Long Term Assets		1,867,009
245,446	Short Term Investments	(19)	242,627
2,005	Assets Held for Sale	(21)	880
1,013	Inventories		1,188
95,017	Short Term Debtors	(20)	111,184
343,481	Current Assets		355,879
(99,243)	Cash and Cash Equivalents	(22)	(93,236)
(14,170)	Short Term Borrowing	(19)	(12,072)
(110,005)	Short Term Creditors	(23)	(147,362)
(4,471)	Short Term Provisions	(24)	(3,596)
(227,889)	Current Liabilities		(256,266)
(4,326)	Long Term Creditors	(23)	(7,056)
(4,604)	Long Term Provisions	(24)	(7,209)
(458,447)	Long Term Borrowing	(19)	(450,054)
(275,673)	Other Long-Term Liabilities	(25)	(270,094)
(743,050)	Long Term Liabilities		(734,413)
1,114,161	Net Assets		1,232,208
323,793	Usable Reserves	(12)	318,218
790,368	Unusable Reserves	(13)	913,990
1,114,161	Total Reserves		1,232,208

Cash Flow Statement as at 31 March 2024

2022/23 £'000		Note	2023/24 £'000
(16,447)	Net (surplus)/deficit on the provision of services		(62,605)
(67,183)	Adjustments to net surplus/deficit on the provision of services for non - cash movements		(121,709)
93,326	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		104,577
9,696	Net cash flow from Operating Activities	30	(79,737)
11,466	Investing Activities	31	62,478
9,318	Financing Activities	32	11,253
30,480	Net (increase) or decrease in cash and cash equivalents		(6,006)
(68,762)	Cash and cash equivalents as at 1 April	22	(99,242)
(99,242)	Cash and cash equivalents as at 31 March		(93,236)

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

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 2023/24 accounts, the County Council is required to disclose the following changes to Accounting Standards which may have an impact on the County Council's accounts in 2024/25. The following standards are likely to be effective for local authorities for the 2024/25 financial year:

IFRS 16 Leases
The Council currently accounts for leases in accordance with the International Accounting Standard (IAS) 17 Leases, and this is the case until 31 March 2024. International Financial Reporting Standard (IFRS) 16 Leases will be adopted from 1 April 2024 (the transition date) and leases will be accounted for in accordance with IFRS 16 from that date. Our accounting policy for leases in our Statement of Accounts 2024/25 will therefore reflect the requirements of IFRS 16.
The most significant impacts of IFRS 16 are estimated to be as follows:

IAS17 classifies leases into either finance or operating leases based on which party bears the risks and rewards of the arrangement. This classification is removed with IFRS 16 for lessees and all leases and lease arrangements are recognised on the lessee's balance sheet as right of use assets with corresponding lease liabilities. There are some exceptions and exemptions to this in that leases do not need to be recognised on the balance sheet if:

- They confer the right to a lessee to use an intangible asset under a licensing agreement, e.g. a software licence;
- They are leases which have a lease term of 12 months or less at the commencement date of the lease (or at the transition date);

- They are leases where the original value of the underlying asset is low. The leasing standard allows organisations to define the value below which leases will be exempt. The Council's policy will be to apply a value of £10,000 below which leases will be treated as exempt, and this is aligned to the Council's existing capital de minimis policy.

A review has identified that the following types of assets can be classified as low value items under this definition.

- Small office equipment items such as photocopiers, telephones and franking machines;
- Other small equipment such as water coolers and vending machines.

IFRS 16 requires lessors to continue to classify leases into either finance or operating leases based on which party bears the risks and rewards of the arrangement. For those leases where the Council is a lessor, there is therefore no significant impact of IFRS 16 on the financial statements.

Leases and lease arrangements where the Council is a lessee have been identified. After applying the exemptions referred to above, the right of use assets within those leases and lease arrangements are either land and/or buildings or vehicles.
The impacts of IFRS 16 as at the transition date of 1 April 2024 have been estimated using the following broad principles, assumptions and practical expedients:

- Right of use assets which are not exempt from the provisions of IFRS 16 have been assumed to be added onto the Council's balance sheet at the transition date;
- Lease liabilities have been measured at the present value of the remaining lease payments discounted by the Council's incremental borrowing rate at that date;
- Right of use assets have been initially measured at the amount of the lease liability. Prepaid or accrued lease payments have not been taken into account as the Council's de minimis amount for accruals is higher than most lease payments are likely to be;
- The valuation principles of IAS 16 Property Plant and Equipment have been applied, resulting in land and building right of use assets being revalued at fair value by desktop valuation at the transition date;
- Where consideration for the lease is nil or at a peppercorn rate, the right of use asset is measured at its fair value and accounted for as a donated asset, with the excess of fair value above cost credited as a gain in the surplus / deficit on provision of services and then reversed to the Capital Adjustment Account through the Movement in Reserves Statement;
- Depreciation has been calculated for right of use assets;

- Lease payments for right of use assets have been split into a) the amount of principal required to write down the discounted lease liability over the remaining lease term and b) the financing cost per year of the remaining lease term.

Summary of Estimated Accounting Impacts on Core Accounting Statements 2024/25

Comprehensive Income & Expenditure Statement	Adjust Lease Rental Payments £'000	Depreciation Charge £'000	Right of Use Assets accounted for as Donated £'000	Downward Revaluation of Right of Use Assets £'000
Cost of Services Gross Expenditure				
- Children's Services	(37)	914		
- Adult Care & Community Wellbeing	(19)	34		
- Place	(379)	366		
- Fire and Rescue	0	9		
- Resources	(214)	210		
- Corporate Services	(10)	12		
- Schools	(42)	44		
	(702)	1,589		
Taxation and Non-Specific Grant Income			(9,365)	
Other Comprehensive Income and Expenditure				938
Impact on Total Comprehensive (Income) and Expenditure				(7,540)

Movement in Reserves Statement	Reverse Depreciation Charge £'000	Reverse Donated Asset Credit £'000	Reverse Downward Revaluations £'000	Minimum Revenue Provision Charge £'000
Adjustments between accounting & funding basis under regulations				
- General Fund Balance	(1,589)	9,365	(938)	801

Balance Sheet	Addition - Right of Use Asset £'000	Depreciation Charge £'000	Upward Revaluations £'000	Downward Revaluations £'000	**Net Book Value Impact £'000**	New Lease Liability £'000	Write Down of Lease Liability £'000	Donated Asset £'000	Minimum Revenue Provision Charge £'000
Property, Plant and Equipment									
- Land	1,153		2,460	(286)	**3,327**				
- Buildings	2,949	(1,457)	11,070	(652)	**11,910**				

	- Vehicles, Plant, Furniture & Equipment	292	(132)			**160**				
Current Liabilities							(702)	702		
Other Long Term Liabilities							(3,386)			
Unusable Reserves										
	Revaluation Reserve			(4,471)						
	Capital Adjustment Account		1,589		938				(9,365)	(801)

Cash Flow Statement	Adjust Lease Rental Payments £'000
Net surplus / deficit on Provision of Services	(702)
Financing activities	702

<u>IAS 1 Presentation of Financial Statements</u>

The amendments to IAS 1 under "Classification of Liabilities as Current or Non-current" provide a more general approach based on the contractual arrangements in place at the reporting date. The amendments only affect how these liabilities are presented in the accounts; the recognition of any asset, liability income or expense or the information disclosed about them remain the same.

<u>IAS 12 Income Taxes</u>

These amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to Pillar two income taxes. Pillar Two Model rules applies to multinational groups with a minimum level of turnover. As the Pillar Two model rules do not apply to government entities, the Council is unaffected by these amendments.

<u>IAS 7 Statement of Cash Flows and IFRS 17 Financial Instruments</u>

This standard has been amended for entities to provide qualitative and quantitative information about supplier finance arrangements within existing disclosure requirements or within new disclosures. Entities will need to disclose information so the users of the financial statements can assess how supplier finance arrangements affect an entity's liabilities and cash flows and understand the effect on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available.

NOTE 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 prolonged high interest rates and unprecedented increases to the rate of inflation over the past 18 months. Despite the rate of inflation reducing at a steady rate since October 2022, the Council has seen significant challenges in meeting the cost of providing services across the whole of the Council.

The Council has increased its 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.

Government Funding
The Government announced another single year Local Government Finance Settlement which covered 2024/25 and 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.

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 controls 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 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 transitioning to the new IFRS 16 Leasing standard and the full impact will be disclosed in our 2024/25 accounts. Note 1 to these accounts describes the estimated impact of IFRS 16 leases.

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 2024 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)	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. 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.	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&ES. The annual depreciation charge for PPE in 2023/24 is **£102.705m** (2022/23 was £91.727m) and the gross book value of these assets is **£1,982.562m** (2022/23 £2,043.435m). 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. 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. 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 2023/24 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 £2.021m. If the remaining useful lives of all PPE assets were reduced by one year, then the depreciation charge for the year would have been £18.043m higher than the actual depreciation charge.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	- When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (e.g. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cashflow model or independent appraisal of company valuations). 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).	The Council uses market value and term and reversion approach to measure the fair value of some of its investment properties. 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.
	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.	Part D of Note 17 Investment Properties describes the significant assumptions used in estimating the current value of Investment properties. 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.
		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.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions	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. 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 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.	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 2023/24 the Council's actuaries advised that the net pension liability decreased to **£263.925m** (2022/23 £268.742m). Details of the pension fund liabilities are set out in Note 29 Defined Benefit Pension Schemes. 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. There may be a "step change" in the liability value when formal revaluations are next carried out. 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.

NOTE 4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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.

There are no material items of income and expenditure to disclosure for 2023/24.

NOTE 5. EVENTS AFTER THE REPORTING PERIOD

a) Authorisation of Accounts for Issue
The Statement of Accounts was authorised for issue by Andrew Crookham, CPFA (Deputy Chief Executive and Executive Director of Resources) on 20 June 2024.

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

b) 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 June 2024) 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 2023-24 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 June 2024.

NOTE 6. OTHER OPERATING EXPENDITURE

2022/23 £'000		2023/24 £'000
1,197	Precepts paid to non-principal authorities and levies	716
4,698	Gain or Loss on the disposal of non-current assets	10,904
5,895	Total	11,620

NOTE 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2022/23 £'000		2023/24 £'000
20,671	Interest payable and similar charges	22,823
6,553	Net Interest on the net defined benefit liability/(asset)	1,517
(7,502)	Changes on Investment Property valuations	(1,472)
1,926	Changes in Financial Instruments measured at amortised cost valuations	(288)
593	Expenditure on Investment Properties	544
22,241	Total Gross Expenditure	23,124
(6,384)	Interest receivable and similar income	(14,599)
(2,447)	Income from Investment Properties	(2,289)
(8,831)	Total Gross Income	(16,888)
13,410	Total	6,236

NOTE 8. TAXATION AND NON-SPECIFIC GRANT INCOME

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

2022/23		2023/24
£'000		£'000
(343,731)	Council tax income	(365,535)
(114,403)	Business Rates - Districts	(119,281)
	Non-ring-fenced government grants:	
(25,849)	Adult Social Care Support Grant	(56,394)
(21,220)	Revenue Support Grant	(23,392)
(21,669)	Section 31 Grant - Business Rates	(26,716)
(7,277)	Rural Service Delivery Grant	(8,134)
(7,684)	New Services Grant	(4,508)
(1,503)	Extended Rights to Free Travel	(1,663)
(1,437)	Fire Pensions Section 31 Grant	(1,437)
(1,659)	New Homes Bonus Grant	(850)
(9,342)	New Social Care Support Grant*	0
(1,594)	Independent Living Fund Grant	0
(773)	Other Non-Specific Grant	(165)
(100,007)	Total Non-ring-fenced Government Grants	(123,259)
	Capital Grants and Contributions:	
(37,444)	DfT Asset Protection Grant	(38,132)
(8,859)	DFT LTP Lincoln Eastern Bypass	(19,190)
(7,567)	Children's Special Provision Fund	(17,704)
(4,914)	DfE Schools Condition Capital Maintenance Grant	(4,888)
0	Lincolnshire Secure Unit	(4,609)
(3,337)	DfT Integrated Transport Grant	(3,337)
(6,217)	DfE Basic Need Grant	(1,639)
0	Children's Early Years capital grant	(1,461)
(909)	Community Infrastructure Levy Grant	(1,356)
(3,130)	Devolved Formula Grant	(963)
(7,872)	Spalding Western Relief Road	0
(2,238)	LEP Holbeach Food Enterprise Zone	0
(1,443)	Children's Homes	0
(3,209)	Other Capital Grants and Contributions	(3,822)
(87,139)	Total Capital Grants and Contributions	(97,101)
(645,280)	Total	(705,176)

*New Social Care Support Grant is included within Adult Social Care Support Grant in 2023/24.

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.

2022/23		2023/24
£'000		£'000
(284,164)	Dedicated Schools Grant	(300,535)
(34,847)	Public Health Grant	(35,984)
(34,257)	Better Care Fund - Improved Element	(35,575)
(11,854)	Pupil Premium	(12,849)
(14,789)	Household Support Grant	(10,881)
(7,546)	Disabled Facilities Grant	(7,585)
(2,931)	Asylum Seekers	(6,237)
(2,273)	Fair Cost of Care	(5,358)
0	Mainstream Schools Additional Grant	(4,825)
(2,807)	Adult Care Discharge Grant	(4,803)
(3,678)	Adult Safeguarding Learning	(3,120)
(2,989)	Universal Infant Free School Meals	(3,262)
(14,533)	Homes For Ukraine	(2,905)
(2,893)	EFA and Sport Grant	(2,869)
0	Pathfinder	(2,750)
(2,480)	YPLA 16-19 Funding	(2,660)
(2,288)	Troubled Families Grant	(2,699)
0	Domestic Abuse	(2,629)
(1,416)	Family Hubs	(2,398)
0	Early Years Support Grant	(2,369)
(1,949)	YPLA 16-19 LR and Bursaries	(2,191)
(57)	Teachers Pay Grant	(2,128)
(1,644)	Schools Recovery Premium Funding	(1,593)
(1,158)	The Private Finance Initiative	(1,158)
(734)	Bus Service Operators Grant	(1,116)
(1,134)	Fire New Burdens	(1,059)
(1,250)	ERDF Grant Income	(294)
(1,082)	Regional Improvement and Innovation Alliance	(119)
(3,989)	Schools Supplementary Grant	0
(5,820)	Other Revenue Grants	(18,462)
(444,564)	Total	(480,412)

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.

2022/23				2023/24		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000	Directorate	£'000	£'000	£'000
156,059	3,923	159,982	Adult Care and Community Wellbeing	185,291	191	185,482
95,297	6,161	101,458	Children's Services	103,084	1,166	104,250
2,914	158	3,072	Corporate Services	2,831	(99)	2,732
23,580	4,011	27,591	Fire & Rescue and Community Safety	24,556	1,084	25,640
116,733	74,766	191,499	Place	131,785	73,174	204,959
70,882	12,131	83,013	Resources	77,378	(992)	76,386
97,891	(92,880)	5,011	Other Budgets	96,945	(97,765)	(820)
(4,757)	42,657	37,900	Schools Budgets	(1,126)	27,214	26,088
558,599	50,927	609,526	Net Cost of Services	620,744	3,973	624,717
(552,380)	(73,593)	(625,973)	Other Income & Expenditure	(608,324)	(78,999)	(687,323)
6,219	(22,666)	(16,447)	(Surplus)/Deficit	12,420	(75,026)	(62,605)
(6,219)			Movement to/(from) Earmarked Reserves	(12,420)		
0			(Surplus) or Deficit on General Fund Balance	0		
16,400			Opening General Fund balance at 1 April 2023	16,400		
0			Plus Surplus or Less (Deficit) on General Fund in Year	(0)		
16,400			Closing General Fund balance at 31 March 2024	16,400		

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

2022/23					2023/24			
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	Directorate	£'000	£'000	£'000	£'000
1,079	2,948	(105)	3,922	Adult Care and Community Wellbeing	2,165	(2,214)	239	190
2,416	4,064	(319)	6,161	Children's Services	3,880	(3,126)	412	1,166
0	156	2	158	Corporate Services	0	(113)	15	(98)
4,249	(48)	(191)	4,010	Fire & Rescue and Community Safety	5,682	(4,486)	(112)	1,084
73,108	2,505	(847)	74,766	Place	75,091	(1,725)	(191)	73,175
6,440	3,977	1,714	12,131	Resources	(190)	(2,776)	1,975	(991)
1,724	(15,552)	(79,052)	(92,880)	Other Budgets	1,266	(12,154)	(86,878)	(97,766)
37,805	9,015	(4,162)	42,659	Schools Budgets	33,280	(4,004)	(2,062)	27,214
126,821	7,065	(82,959)	50,927	Net Cost of Services	121,174	(30,598)	(86,603)	3,973
(89,942)	6,553	9,796	(73,593)	Other Income and Expenditure from the Expenditure and Funding Analysis	35,004	(29,081)	(80,856)	(74,933)
36,879	13,618	(73,163)	(22,666)	Difference between General Fund surplus or deficit and CI&ES Surplus or Deficit on the Provision of Services	156,178	(59,679)	(167,459)	(70,959)

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.

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.

2022/23					2023/24			
Fees and Charges	Rents	Sales	Total Customer & Client Receipts		Fees and Charges	Rents	Sales	Total Customer & Client Receipts
£'000	£'000	£'000	£'000	Directorate	£'000	£'000	£'000	£'000
(55,039)	(36)	(1,942)	(57,017)	Adult Care and Community Wellbeing	(62,640)	(35)	(2,089)	(64,765)
(1,754)	(46)	(318)	(2,118)	Children's Services	(1,994)	(50)	(375)	(2,419)
(4)	0	0	(4)	Corporate Services	(2)	0	0	(2)
(12)	0	(1)	(13)	Fire & Rescue and Community Safety	(12)	0	0	(12)
(7,806)	(2,634)	(1,830)	(12,270)	Place	(10,493)	(2,792)	(2,481)	(15,767)
(1,422)	(3,033)	(51)	(4,506)	Resources	(1,432)	(2,788)	(250)	(4,470)
0	0	0	0	Other Budgets	(1)	0	0	(1)
(3,150)	(42)	(2,395)	(5,587)	Schools Budgets	(2,631)	(50)	(2,862)	(5,544)
(69,187)	(5,791)	(6,537)	(81,515)	Total External Income Analysed	(79,205)	(5,715)	(8,057)	(92,979)

NOTE 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2022/23	2023/24
	£'000	£'000
Expenditure:		
Employee benefits expenses	403,319	391,687
Other service expenses	757,448	828,015
Depreciation, amortisation and impairment	94,458	111,591
Interest payments	20,671	22,823
Precepts and Levies	1,197	716
(Gain)/Loss on the disposal of assets	4,742	10,932
Total expenditure	1,281,835	1,365,764
Income:		
Fees, charges and other service income	(194,511)	(226,681)
Interest and investment income	(13,929)	(16,100)
Income from Council Tax, Non-domestic Rates	(458,134)	(484,816)
Government Grants and Contributions	(631,709)	(700,772)
Total income	(1,298,282)	(1,428,369)
(Surplus)/Deficit on the Provision of Services	(16,447)	(62,605)

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

This Note details the adjustments that are made to total Comprehensive Income and Expenditure 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.

2023/24	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
Adjustments to Revenue Resources: 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	30,717	0	0	(30,717)
Employer's pensions contributions and direct payments to pensioners payable in the year	(59,798)	0	0	59,798
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):	339	0	0	(339)
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	1,685	0	0	(1,685)
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	102,705	0	0	(102,705)
Revaluation losses on Property Plant and Equipment	7,220	0	0	(7,220)
Movements in the market value of Investment Properties	(1,501)	0	0	1,501
Amortisation of intangible assets	1,666	0	0	(1,666)
Capital grants and contributions applied	(58,791)	0	0	58,791
Capital Receipts applied	(5,729)	0	0	5,729
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	9,465	0	0	(9,465)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	16,662	0	0	(16,662)
Total Adjustments to Revenue Resources	44,603	0	0	(44,603)
Adjustments between Revenue and Capital Resources:				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(35,872)	0	0	35,872
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(45,446)	0	0	45,446
Total Adjustments between Revenue and Capital Resources	(81,318)	0	0	81,318
Adjustments to Capital Resources:	-			
Capital grants and contributions unapplied credited to the CIES	(38,310)	0	38,310	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	(31,501)	31,501
Total Adjustments to Capital Resources	(38,310)	0	6,809	31,501
Total Adjustments	(75,025)	0	6,809	68,216

CIES = Comprehensive Income and Expenditure Statement   CAA = Capital Adjustment Account

2022/23	Usable Reserves General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Usable Reserves Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
Adjustments to Revenue Resources: 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)
Revaluation losses on Heritage Assets	0		0	0
Revaluation losses on Held for Sale Assets	0	0	0	0
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
Income in relation of Donated Assets	0			(0)
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)
Total Adjustments to Revenue Resources	70,368	0	0	(70,368)
Adjustments between Revenue and Capital Resources:				
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
Total Adjustments between Revenue and Capital Resources	(64,944)	0	0	64,944
Adjustments to Capital Resources:				
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
Total Adjustments to Capital Resources	(28,092)	0	(2,519)	30,611
Total Adjustments	(22,668)	0	(2,519)	25,187

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.

A review of capital deposits from developers was carried out in the year, and where such deposits are deemed as no longer potentially repayable they have been reclassified from Long Term Creditors to Capital Deposits within Usable Reserves.

2022/23 £'000	Usable Reserves	2023/24 £'000
69,273	Capital Grants Unapplied	76,082
238,120	Earmarked Reserves	225,736
16,400	General Fund	16,400
323,793	Total	318,218

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:

2022/23 £'000	Unusable Reserves	Note	2023/24 £'000
360,794	Revaluation Reserve	(13a)	411,881
701,650	Capital Adjustment Account	(13b)	771,366
(1,401)	Financial Instruments Adjustment Account	(13c)	(1,363)
525	Financial Instrument Revaluation Reserve	(13d)	513
(268,742)	Pension Reserve	(13e)	(263,925)
2,505	Collection Fund Adjustment Account	(13f)	2,166
(4,963)	Accumulated Absences Account	(13g)	(6,648)
790,368	Total		913,990

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.

2022/23 £'000	Revaluation Reserve	2023/24 £'000
316,005	Balance at 1 April	360,794
69,355	Upward revaluation of assets	84,139
(4,594)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,459)
64,761	Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	79,680
(17,475)	Difference between fair value depreciation and historical cost depreciation	(22,318)
(2,497)	Accumulated gains on assets sold or scrapped	(6,275)
(19,972)	Amount written off to the Capital Adjustment Account	(28,593)
360,794	Balance at 31 March	411,881

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.

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.

2022/23		2023/24
£'000	Capital Adjustment Account	£'000
650,159	Balance at 1 April	701,650
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(91,729)	Charges for depreciation and impairment of non-current assets	(102,705)
(687)	Revaluation losses on Property, Plant and Equipment	(7,220)
(2,044)	Amortisation of intangible assets	(1,666)
(31,428)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(9,465)
(9,072)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(16,662)
19,972	Adjusting amounts written out of the Revaluation Reserve	28,593
(114,988)	Net written out amount of the cost of non-current assets consumed in the year	(109,125)
	Capital financing applied in the year:	
4,332	Use of Capital Receipts to finance new capital expenditure	5,729
59,047	Capital grants and contributions credited to the CIES that have been applied to capital financing	58,791
30,611	Application of grants to capital financing from the Capital Grants Unapplied Account	31,501
30,038	Statutory provision for the financing of capital investment charged against the General Fund	35,872
34,906	Capital expenditure charged against the General Fund	45,446
158,934		177,339
7,545	Movements in the market value of Investment Properties debited or credited to the CIES	1,501
701,650	Balance at 31 March	771,366

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.

2022/23 £'000	Financial Instruments & Financial Assets Adjustment Account	2023/24 £'000
(1,439)	Balance at 1 April	(1,401)
38	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
(1,401)	Balance at 31 March	(1,363)

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.

2022/23 £'000	Financial Instrument Revaluation Reserve	2023/24 £'000
298	Balance at 1 April	525
227	Change in treatment of loss allowance	(12)
525	Balance at 31 March	513

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.

2022/23 £'000	Pensions Reserve	2023/24 £'000
(867,001)	Balance at 1 April	(268,742)
611,878	Actuarial gains or losses on pensions assets and liabilities	(24,264)
(72,730)	Reversal of items relating to retirement benefits debited or credited to the SDPS in the CIES	(30,717)
59,111	Employer's pensions contributions and direct payments to pensioners payable in the year	59,798
(268,742)	Balance at 31 March	(263,925)

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.

2022/23 £'000	Collection Fund Adjustment Account	2023/24 £'000
(3,225)	Balance at 1 April	2,505
5,730	Amount by which council tax income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(339)
2,505	Balance at 31 March	2,166

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.

2022/23 £'000	Accumulated Absences Account	2023/24 £'000
(6,482)	Balance at 1 April	(4,963)
6,482	Settlement or cancellation of accrual made at the end of the preceding year	4,963
(4,963)	Amounts accrued at the end of the current year	(6,648)
1,519	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	(1,685)
(4,963)	Balance at 31 March	(6,648)

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 2023/24.

Balance at 1 April 2022	Additions in Year	Used in Year	Balance at 31 March 2023		Balance at 1 April 2023	Additions in Year	Used in Year	Balance at 31 March 2024
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
12,894	3,974	(840)	16,028	Balances from dedicated schools budget	16,028	2,417	(2,165)	16,280
13,659	13,605	(14,144)	13,120	Balances for schools under a scheme of delegation	13,120	12,994	(13,065)	13,049
				Other Earmarked Reserves:				
0	4,782	(7,183)	2,390	Other Services	2,190	552	(2,390)	352
13,582	10,359	(8,791)	10,359	Reserves requiring Council approval in September	10,359	10,886	(10,452)	10,793
6,775	0	0	6,775	Insurance	6,775	0	(1,400)	5,375
772	93	0	865	Schools Sickness Insurance	865	93	(553)	406
2,057	438	(326)	2,169	Shared Services (Legal and Procurement)	2,169	0	(167)	2,002
46,921	0	0	46,921	Financial Volatility	46,921	0	0	46,921
1,958	0	(1,394)	564	CSSC Transformation including BW Rebuild & Development	564	563	(1,126)	1
4,720	1,286	(2,130)	3,876	Energy from Waste Lifecycles	3,876	1,286	(3,805)	1,357
23,451	5,000	(12,729)	15,722	Development Fund	24,535	11,146	(8,361)	27,320
6,152	0	0	6,152	Business Rates Volatility Reserve	0	0	0	0
3,302	0	(841)	2,461	Support to Businesses	0	0	0	0
7,957	2,281	(4,663)	5,575	Other Service Earmarked Reserves	5,575	919	(876)	5,618
144,200	41,818	(53,041)	132,977	Total of Other Earmarked Reserves	132,977	40,856	(44,360)	129,474

Balance at 1 April 2022	Additions in Year	Used in Year	Balance at 31 March 2023		Balance at 1 April 2023	Additions in Year	Used in Year	Balance at 31 March 2024
£'000	£'000	£'000	£'000	Revenue Grants and Contributions Unapplied Reserves	£'000	£'000	£'000	£'000
8,891	7,980	(8,737)	8,134	Schools	8,134	6,854	(7,971)	7,017
9,688	3,353	(1,446)	11,595	Children Services	11,595	5,126	(2,071)	14,650
64,534	14,450	(5,373)	74,217	Adult Care and Community Wellbeing	74,217	11,653	(21,815)	64,055
14,122	1,460	(6,610)	8,972	Place	8,972	193	(757)	8,408
1,628	0	0	1,628	Other Budgets	1,628	0	(92)	1,536
818	0	0	212	Resources	212	0	0	212
384	0	0	384	Fire and Rescue	384	0	0	384
100,065	27,243	(22,166)	105,143	Total of Revenue Grants and Contributions Unapplied Reserves	105,143	23,826	(32,706)	96,262
244,266	69,061	(75,207)	238,120	Total Reserves	238,120	64,682	(77,066)	225,736

The **balance held by schools under the scheme of delegation** represents the net underspending of school budget shares in 2023/24. 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 in September** 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 2024 Executive. The Council is to be asked to confirm these proposals at its 13th September 2024 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 - (Legal Services and Procurement)** reserve represents what amounts these services carried forward from 2023/24. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2024/25. The Procurement Reserve represents Procurement Lincolnshire's underspend at the end of 2023/24. The underspend relates to both Council money and partners money. This amount will be carried into 2024/25 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 was 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.

The **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. In 2022-23 the Council agreed to move the balance on each of the Business Rates Volatility reserve and the Support to Businesses reserve to the Development fund. This was a transfer of £8.614m.

The **Business Rates Volatility** Reserve will hold the 2023/24 surplus on the business rates collection fund and will 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

Movement in Property, Plant and Equipment	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2023	628,380	121,173		12,188	100,882	862,623	19,173
Additions	8,360	12,933	91,232	5	58,981	171,511	206
Revaluation Increase to RR	50,479	0	0	1,757	0	52,236	273
Revaluation Decrease to RR	(4,083)	0	0	(311)	0	(4,394)	(703)
Revaluation Increase/(Decrease) to SDPS	(7,628)	0	0	(697)	0	(8,325)	0
Derecognition - Disposals	(10,108)	(6,203)	(19,731)	(1,222)	0	(37,264)	(73)
Derecognition to RR	(63)	0	0	0	0	(63)	0
Derecognition to SDPS	(855)	0	0	0	0	(855)	0
Reclassified to/from Held for Sale	0	0	0	(205)	0	(205)	0
Reclassifications - Other	5,649	1,346	6,174	410	(14,061)	(482)	0
At 31 March 2024	670,131	129,249		11,925	145,802	1,034,782	18,876
Depreciation and Impairment							
At 1 April 2023	(19,974)	(32,300)		(387)	0	(52,661)	(733)
Depreciation Charge for 2023/24	(33,840)	(11,051)	(57,678)	(137)	0	(102,706)	(579)
Depreciation written out on upward revaluation	30,602	0	0	70	0	30,672	557
Depreciation written out on downward revaluation	17	0	0	4	0	21	0
Depreciation written out to the SDPS	1,088	0	0	17	0	1,105	0
Derecognition - Disposals	464	5,940	19,731	46	0	26,181	0
Derecognition to SDPS	99	0	0	0	0	99	0
Reclassifications - Other	14	0	0	(14)	0	0	0
At 31 March 2024	(21,530)	(37,411)		(401)	0	(97,289)	(755)
Net Book Value at 31 March 2024	648,601	91,838	781,577	11,524	145,802	1,679,342	18,121
Net Book Value at 1 April 2023	608,406	88,873	741,848	11,801	100,882	1,551,810	18,440

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

Movement in Property, Plant and Equipment	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant and Equipment £'000
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
As 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
As at 31 March 2023	(19,974)	(32,300)		(387)	0	(105,915)	(733)
Net Book Value as at 31 March 2023	608,406	88,873	741,848	11,801	100,882	1,551,810	18,440
Net Book Value as 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

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	2022/23 £'000	2023/24 £'000
Infrastructure Assets	741,848	781,577
Other Property, Plant and Equipment	809,962	897,764
Total	1,551,810	1,679,341

b) Capital Commitments

At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024-25 and future years budgeted to cost £234.779m

Detail	£'000
North Hykeham Relief Road	162,470
A16 Levelling Up Fund	60,043
LFR Control Project	3,737
Christophers SCAPE Project	4,089
Lincolnshire Secure Childrens Home	1,458
IT PC Replacement	2,982
Total	234,779

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, of 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:

	Land and Buildings	Surplus Assets	Specialised Equipment
	£'000	£'000	£'000
Non-Current Assets valued as at:	Current Value	Fair Value	Current value
01 April 2019	56,007	940	
01 April 2020	158,904	2,781	
01 April 2021	88,474	400	
01 April 2022	132,184	4,656	64,926
01 April 2023	213,031	2,748	
Total Cost of Valuation	648,600	11,524	64,926

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	2022/23 £'000	2023/24 £'000
Vehicles, Plant, Furniture and Equipment	24,114	26,912
Infrastructure	741,848	781,577
Assets Under Construction	100,882	145,802
Total Cost of Valuation	866,845	954,291

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, 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 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:

Cost or Valuation	Windmills £'000	Other Historic Buildings £'000	Collections £'000	Total £'000
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
Balance at 1 April 2023	4,786	24,567	38,000	67,353
Additions - In House construction/Improvement	151	22	0	173
Revaluations recognised in the Revaluation Reserve (RR)	1,145	0	0	1,145
At 31 March 2024	6,082	24,589	38,000	68,671

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 Alford Windmill, £0.02m to Heckington Windmill, £0.12 to Burgh-le-Marsh Windmill and £0.02m 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 2023/24.

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 Properties

	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000
Rental Income	(2,359)	(2,214)	(89)	(75)
Direct Operating Expenses	574	524	19	18
Net (Income)/Expenditure	(1,785)	(1,690)	(70)	(57)

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 is 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 Properties		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	107,097	113,166	1,620	1,702	108,717	114,868
Additions - Acquisitions (Purchase and Construction)	508	427	7	2	515	429
Disposals	(1,909)	(3,016)	0	0	(1,909)	(3,016)
Net Gains/(Losses) from fair value adjustments	7,470	1,496	75	5	7,545	1,501
Balance at 31 March	113,166	112,073	1,702	1,709	114,868	113,782

	County Farm Estates		Other General Properties	
Nature of asset holding	2022/23	2023/24	2022/23	2023/24
Owned Assets	113,152	112,056	1,702	1,709
Leased Assets	14	17	0	0
Balance at 31 March	113,166	112,073	1,702	1,709

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 revalue 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.

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 2023/24.

a) Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
Balance at 1 April 2023:			
Gross carrying amount	12,120	2,408	14,528
Accumulated amortisation	(9,035)	(2,272)	(11,307)
Net carrying amount at 1 April 2023	3,085	136	3,221
Additions:			
Purchases	235	114	349
Other disposals	(817)	0	(817)
Amortisation for the period	(1,513)	(153)	(1,666)
Amortisation written out on disposal	402	0	402
Other changes - reclassifications	482	0	482
Net carrying amount at 31 March 2024	1,874	97	1,971
Comprising:			
Gross carrying amounts	12,020	2,522	14,542
Accumulated amortisation	(10,146)	(2,425)	(12,571)
Total	1,874	97	1,971

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.666m (£2.044m in 2022/23) was charged to revenue in 2023/24.

b) Significant Capitalised Software
At 31 March 2024, the Council has not capitalised material items of software during 2023/24.

c) Capital Commitments
As at 1 April 2024, 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 2023	31 March 2024	31 March 2023	31 March 2024
Financial Liabilities	£'000	£'000	£'000	£'000
Borrowings:				
Amortised Cost	458,447	450,054	14,170	12,072
Total Borrowings	458,447	450,054	14,170	12,072
PFI and Finance Lease Liabilities	6,931	6,169	0	0
Total PFI & Finance Lease Liabilities	6,931	6,169	0	0
Creditors & Other Long Term Liabilities:				
Amortised Cost	4,326	7,056	84,908	115,344
Total Creditors	4,326	7,056	84,908	115,344

	Long-Term		Current	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
Financial Assets	£'000	£'000	£'000	£'000
Investments:				
Amortised Cost * (1)	721	578	182,401	207,928
Fair Value though Other Comprehensive Income:				
FVOCI - Designated Equity Instruments	539	527	0	0
Fair Value through Profit and Loss	0	0	63,045	34,699
Total Investments	1,260	1,105	245,446	242,627
Debtors:				
Amortised Cost	3,112	2,142	0	0
Carried at Contract Amount	0	0	52,439	61,784
Total Debtors	3,112	2,142	52,439	61,784

*(1) 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 2024 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 overall loss on revaluation of equity instruments designated at fair value through other comprehensive income of £12k, a decrease in expected credit loss allowance (gain) of £29k and an increase (gain) in the fair value of debtors from a fall in impairment allowance of -£288k occurred in 2023/24.

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:

	2022/23	2023/24
	£'000	£'000
(Gains) or Losses on:		
Financial Assets at Amortised Cost	1,923	(317)
Financial Assets FVOCI - Designated Equity Instruments	(227)	12
Total Net Gains (-) or Losses	1,696	(304)
Interest Revenue:		
Financial Assets at Amortised Cost	(3,027)	(6,059)
Total Interest Revenue	(3,027)	(6,059)

	2022/23	2023/24
	£'000	£'000
Interest Expense:		
Financial Liabilities at Amortised Cost	18,095	17,668
Total Interest Expense	18,095	17,668
Fee Expense:		
Financial Assets or Liabilities not at Fair Value through Profit & Loss	15	25
Total Fee Expense	15	25

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.
Details of these instruments are shown in the table below:

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 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 is carried on the Balance Sheet.

	31 March 2023		31 March 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1 - Fair Value Hierarchy	£000	£000	£000	£000
Money Market Funds	62,850	62,850	34,578	34,758
	62,850	62,850	34,578	34,758

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 2023		31 March 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 3 - Fair Value Hierarchy	£000	£000	£000	£000
Investors in Lincoln	14	335	14	287
Hoople Ltd	0	204	0	240
Financial Assets Measured at FVOCI-Designated Equity	14	539	14	527

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:

	Potential variation in fair value	Value as at 31 March 2024	Potential value on increase	Potential value on decrease
	(+/-)	£000	£000	£000
Investors in Lincoln	5%	287	301	271
Hoople Ltd	5%	240	252	228

Fair 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 2024 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:

Financial Liabilities	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 - Fair Value Hierarchy Measurement	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	437,913	379,227	429,524	342,675
Non PWLB Debt (Long Term > 12 Months)	20,696	18,328	20,737	16,648
PWLB Debt (Short Term < 12 Months)	10,422	9,038	8,388	6,708
Long-Term Creditors & Other Long-Term Liabilities	4,326	4,326	7,056	7,056
Short-Term Creditors & Other Short-Term Liabilities	84,908	84,908	115,344	115,344
Total Financial Liabilities at Amortised Cost	558,265	495,827	581,049	488,431

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 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 fair value from 31 March 2023 to 31 March 2024 has fallen significantly reflecting the continued increase in market rates over this period. This highlights the fact that market interest rates are now generally higher that 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 2024. 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 £399,294k, some £49,911k 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 2023		31 March 2024	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 - Fair Value Hierarchy Measurement	£'000	£'000	£'000	£'000
Investments (Long Term > 12 Months)	721	713	578	564
Investments (Short Term < 12 Months)	179,940	179,940	202,524	202,524
Long-Term Debtors	3,112	3,112	2,142	2,142
Short-Term Debtors	52,439	52,439	61,784	61,784
Total Financial Assets at Amortised Cost	236,212	236,204	267,028	267,014

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 minimal (£578k) and most at rates lower than equivalent market rates, hence the fair value is lower than the carrying amount of the investments at 31 March 2024.

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

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.

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 £25k, 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.

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 Treasury Investments 12 Month £'000	Group 2 Third Party Loans Lifetime £'000	Group 3 Council Owned Company Loans Lifetime £'000	Total £'000
Opening Balance at 1 April 2023	29	0	0	29
Financial Assets Derecognised	(29)	0	0	(29)
Expected Credit Loss balance at 31 March 2024	0	0	0	0

The expected credit loss calculations on Group 1 and Group 2 portfolios at 31 March 2024 were below the de-minimus limit of £25k and therefore not recognised.

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:

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 2023		Amount at 31 March 2024	
	%	£'000	%	£'000	%
AAA Rated Counterparties	0.036%	62,850	25.89%	34,578	14.59%
AA Rated Counterparties	0.022%	75,100	30.93%	14,900	6.28%
A Rated Counterparties	0.046%	73,330	30.20%	109,100	46.02%
BBB+ Rated Counterparties (*2)	0.140%	0	0.00%	20,000	8.44%
Other Counterparties (*1)	0.008%	31,500	12.97%	58,500	24.68%
Total Treasury Investments		242,780	100%	237,078	100.00%

(*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.

(*2) At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria. Exposure to Counterparties below the Councils minimum credit rating of BBB+ at the balance sheet date were due to a deterioration of credit rating after the initial investment.

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.

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 2023		Amount at 31 March 2024	
		£'000	%	£'000	%
Legal Services Lincs (Trading) Ltd	Medium	0	0.00%	10	1.66%
Loans to Academies - Government 3rd Party	Exempt	731	100.00%	592	98.34%
Total Non-Treasury Related Investments		731	100.00%	602	100.00%

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 2024 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2023		Amount at 31 March 2024	
	£'000	%	£'000	%
Less than 3 months	4,565	40.91%	4,722	30.50%
3 months to 1 year	5,120	45.89%	10,760	69.50%
More than 1 year	1,473	13.20%	0	0.00%
Total Outstanding Debt	11,158	100.00%	15,482	100.00%

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 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:

Debt Outstanding - Financial Liabilities	Approved Maximum Limit %	Approved Maximum Limit £'000	31 March 2023 £'000	31 March 2024 £'000
Less than one year	25%	115,533	14,170	12,072
Between one and two years	25%	115,533	8,566	6,575
Between two and five years	50%	231,067	24,465	26,435
Between five and ten years	75%	346,600	26,867	18,502
Between ten and fifteen years	100%	462,133	29,000	29,000
Between fifteen and twenty-five years	100%	462,133	29,439	36,823

Between twenty-five and thirty-five years	100%	462,133	156,110	185,726
Between thirty-five and forty-five years	100%	462,133	154,000	132,000
Maturing in more than forty-five years	100%	462,133	30,000	15,000
Total			472,617	462,133

Investments Outstanding - Financial Assets	Approved Maximum Limit %	Approved Maximum Limit £'000	31 March 2023 £'000	31 March 2024 £'000
Less than one year	100%	243,732	245,446	242,627
Between one and two years	16%	40,000	41	35
Between two and three years	16%	40,000	57	0
Maturing in more than three years	16%	40,000	1,162	1,070
Total			246,706	243,732

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 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 £1.753m 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:

Financial Impact of the Interest Rate Risk	Amount at 31 March 2024 £'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,753
Impact on Income and Expenditure Account	1,753

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 2024	Fair Value at 1% Higher	Fair Value at 1% Lower
	£'000	£'000	£'000
County Council	365,555	320,519	422,913
Schools	476	463	490
Total Long Term Fixed Borrowing:	366,031	320,982	423,403
Treasury Investments	0	0	0
Non-Treasury Investments	564	547	581
Total Long Term Fixed Investments:	564	547	581

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 75 under "Fair 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 trading Ltd and 3 shares (£1 par value) in a company called Hoople Ltd. All 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

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.

2022/23 £'000	Short Term Debtors	2023/24 £'000
15,649	Trade Receivables	27,928
16,912	Prepayments	4,933
62,456	Other Receivable Amounts	78,323
95,017	Total	111,184

2022/23 £'000	Long Term Debtors	2023/24 £'000
689	Trade Receivables	(138)
2,158	Prepayments	2,163
266	Other Receivable Amounts	118
3,113	Total	2,143

All the figures in the tables above are shown net of impairment for doubtful debt.

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.

	2022/23 £'000	2023/24 £'000
Balance outstanding at 1 April	2,285	2,005
Assets newly classified as held for sale:		
- Property, Plant and Equipment	495	205
Assets declassified as held for sale:		
- Assets Sold	(775)	(1,330)
Balance Outstanding at 31 March	2,005	880

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.

	2022/23	2023/24
	£'000	£'000
Cash held by the authority	(356)	311
Bank current accounts	(98,887)	(93,547)
Total	(99,243)	(93,236)

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

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.

2022/23 £'000	Short Term Creditors	2023/24 £'000
(43,907)	Trade Payables	(54,718)
(66,098)	Other Payables	(92,644)
(110,005)	Total	(146,485)

2022/23 £'000	Long Term Creditors	2023/24 £'000
(4,326)	Trade Payables	(7,056)
(4,326)		(7,056)

NOTE 24. PROVISIONS

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.

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 2023	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions:					
- Insurance Claims	(1,961)	(191)	245	217	(1,690)
- Business Rates Appeals	(2,095)	0	603	0	(1,492)
- Voluntary Overtime Provision	(415)	0	0	0	(415)
	(4,471)	(191)	848	217	(3,597)
Long Term Provisions:					
- Insurance Claims	(4,604)	(3,616)	1,011	0	(7,209)
	(4,604)	(3,616)	1,011	0	(7,209)
Total	(9,075)	(3,807)	1,859	217	(10,806)

The Insurance provision represents all known and anticipated claims under the excess clauses of the Council’s external insurance policies. Material risks which are met by the Council under current insurance policies are shown below:

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

The Business Rates Appeal provision has been created because the County Council, under the current funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the County Council is liable for 10% of any provision for business rates appeals.

The Voluntary Overtime Provision represents an estimate of Voluntary Overtime which could be taken into account for the determination of holiday pay.

NOTE 25. OTHER LONG-TERM LIABILITIES

2022/23		2023/24
£'000		£'000
(6,931)	Outstanding Liabilities on PFI and Finance Leases	(6,169)
(268,742)	Net Pension Liability	(268,042)
(275,673)		(274,211)

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 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 fixed assets held by the Council, and the movement in their values during 2023-24. These assets are included in the fixed assets shown in Note 15 Property, Plant and Equipment.

	Land & Buildings		Furniture & Equipment	
	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000
Balance at 1 April:	12,642	18,368	45	71
Additions	140	179	45	27
Revaluations	6,022	127	0	0
Depreciation	(436)	(558)	(19)	(23)
Disposals	0	(72)	0	0
Net Book Value at 31 March	18,368	18,044	71	75

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 2023/24:

2022/23		2023/24
£'000	PFI Lease Liability	£'000
7,632	Liability as at 01 April:	6,754
(878)	Principal Repayments	(755)
6,754	Liability as at 31 March	5,999

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.

	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2024/25	577	413	2,680	3,670
Payable between 2025/26 and 2026/27	1,722	671	4,947	7,340
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
Total Committed Liabilities as at 31 March 2024	5,999	1,637	19,886	27,522

e. School Assets.

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority'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 accounted for in accordance with the Authority'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 school has been accounted for in accordance with the Authority'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.
    - 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.

	Land and Buildings	
	2022/23	2023/24
Land and Buildings	£'000	£'000
Balance at 1 April:	16,216	15,825
Additions	275	256
Revaluations	77	3,583
Depreciation	(599)	1,315

Derecognition	(144)	0
Reclassifications	0	(43)
Net Book Value at 31 March	15,825	20,936

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.

	2022/23		2023/24	
	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	39	57	40	56
Later than five years	131	234	123	224
Total Committed Liabilities at 31 March	178	302	171	291

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 2023-24 amounted to £0.945m (£1.517m in 2022-23)

- 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 £1.324m in 2023-24 (£2.017m in 2022-23).

As at 31 March 2024, the Council is committed to making payments of £8.129m under operating leases, comprising the following elements:

2022/23		2023/24
£'000		£'000
1,819	Not later than one year	1,649
3,583	Between one year and not later than five years	3,487
3,411	Later than five years	2,993
8,813	Total Committed Liabilities at 31 March	8,129

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 2024 the minimum payments expected to be received under non-cancellable sub-leases was £12.533m

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 £2.214m in 2023-24 (£2.357 in 2022-23). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.390m in 2023-24 (£1.164m in 2022-23).

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

2022/23		2023/24
£'000		£'000
2,854	Not later than one year	2,908
6,815	Between one year and not later than five years	6,458
11,282	Later than five years	11,600
20,951	Total future minimum lease payments receivable	20,966

NOTE 28. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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 technically 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 2023-24 the County Council paid £18,200m (£17,257m, 2022/23) 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 £4.129m in 2023-24, (£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 technically 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 2023-24 the Council paid £0.805m, (£800m in 2022/23) to the administrators of the NHS Pension Scheme in respect of employer contributions. This was made of £0.740m of employer's contributions to the scheme at a contribution rate of 14.38% together with a lump sum contribution of £0.065m in 2023-24, (£0.68m in 2022/23).

NOTE 29. DEFINED BENEFIT PENSIONS SCHEMES

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 £47,249m (£31.704m in 2022-23) into the Lincolnshire Pension Fund in 2023-24, based on 24.1% of scheme employees' pensionable pay and a lump sum payment of £0.131m (£10.890m in 2022-23).

Under the Council's early retirement policy, additional contributions of £0.114m (£0.942m in 2022-23) 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 £5.818m (£5.502m in 2022-23). Further information can be found on pages 163 to 211 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 183.

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 127.

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

In 2023-24 the Council paid employer's contributions of £6.100m (£6.600m in 2022-23) 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 £1.457m (£0.910m in 2022-23) was paid in respect of ill health retirements and £0.510m (£0.487m in 2022-23) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 160 to 162.

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 MHCLG 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:

a. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Local Government Pension Fund at 31 March 2024:

2022/23				2023/24		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
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)	Opening position as at 31 March	1,427,472	(1,490,514)	(63,042)
			Service cost:			
0	(56,024)	(56,024)	Current service cost	0	(33,160)	(33,160)
0	(803)	(803)	Past service costs (including curtailments)	0	(563)	(563)
(566)	590	24	Effect of settlements	31,640	(25,317)	6,323
(566)	(56,237)	(56,803)	Total Service Costs	31,640	(59,040)	(27,400)
			Net Interest:			
60,226	0	60,226	Interest income on planned assets	79,218	0	79,218
0	(58,681)	(58,681)	Interest cost on defined benefit obligation	0	(71,035)	(71,035)
0	0	0	Impact on asset ceiling	(6,869)	0	(6,869)
60,226	(58,681)	1,545	Total net Interest	72,349	(71,035)	1,314
59,660	(114,918)	(55,258)	Total defined benefit cost recognised in CIES	103,989	(130,075)	(26,086)
			Cash flows:			
11,312	(11,312)	0	Plan participants' contributions	12,439	(12,439)	0
47,209	0	47,209	Employer contributions	47,380	0	47,380
5,502	0	5,502	Contributions re unfunded benefits	5,818	0	5,818
(58,622)	58,622	0	Benefits paid	(63,967)	63,967	0
(5,502)	5,502	0	Unfunded benefits paid	(5,818)	5,818	0
(101)	52,812	52,711	Total Cashflows	(4,148)	57,346	53,198
1,633,622	(2,211,370)	(577,748)	Expected closing position	1,527,313	(1,563,243)	(35,930)

2022/23				2023/24		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
			Remeasurements:			
0	0	0	Changes in demographic assumptions	0	22,108	22,108
0	901,349	901,349	Changes in financial assumptions	0	8,451	8,451
0	(181,655)	(181,655)	Other experience	0	(4,797)	(4,797)
(68,738)	0	(68,738)	Return on assets excluding amounts included in net interest	79,070	0	79,070
(136,250)		(136,250)	Changes in asset ceiling	(127,827)	0	(127,827)
(204,988)	719,694	514,706	Total remeasurements recognised in OCI	(48,757)	25,762	(22,995)
1,563,722	0	1,563,722	Fair value of employer assets	1,748,212	0	1,748,212
(136,250)	0	0	Impact of asset ceiling	(270,946)	0	(270,946)
0	(1,427,472)	(1,427,472)	Present value of funded liabilities	0	(1,477,266)	(1,477,266)
0	(63,042)	(63,042)	Present value of unfunded liabilities	0	(58,925)	(58,925)
1,427,472	(1,490,514)	(63,042)	Closing position at 31 March	1,477,266	(1,536,191)	(58,925)

Analysis of the Remeasurements recognised in Other Comprehensive Income:

Remeasurement of the net assets/(defined benefit)	Year to 31/3/23	Year to 31/3/24
Return on Fund assets in excess of interest	(68,738)	79,070
Change in financial assumptions	901,349	8,451
Change in demographic assumptions	0	22,108
Changes in effect of asset ceiling	(136,250)	(127,827)
Experience gain/losses on defined benefit obligation	(181,655)	(4,797)
Remeasurement of the net assets/(defined liability)	514,706	(22,995)

b) Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Fire-fighters Pension Fund at 31 March 2024:

The current service cost shown in the table below includes the cost for both the non-injury benefits and injury benefits. This is split £1.5000m for the non-injury benefits and £0.300m for the injury benefits. The interest cost shown in the table below includes the cost for both the non-injury benefits and injury benefits. This is split £8.900m for the non-injury benefits and £0.800m for the injury benefits.

2022/23				2023/24		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
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)	Opening position as at 31 March	0	(205,700)	(205,700)
			Service cost:			
0	(5,800)	(5,800)	Current service cost	0	(1,800)	(1,800)
0	(5,800)	(5,800)	Total Service Costs	0	(1,800)	(1,800)
			Net Interest:			
0	(7,900)	(7,900)	Interest cost on defined benefit obligation	0	(9,700)	(9,700)
0	(7,900)	(7,900)	Total net Interest	0	(9,700)	(9,700)
0	(13,700)	(13,700)	Total defined benefit cost recognised in CI&ES	0	(11,500)	(11,500)
			Cash flows:			
1,500	(1,500)	0	Plan participants' contributions	1,600	(1,600)	0
6,000	0	6,000	Employer contributions	6,100	0	6,100
500	0	500	Contributions in respect of injury benefits	500	0	500
(7,500)	7,500	0	Benefits paid	(7,700)	7,700	0
(500)	500	0	Injury award expenditure	(500)	500	0
0	6,500	6,500	Total Cash Flows	0	6,600	6,600
0	(299,000)	(299,000)	Expected closing position	0	(210,600)	(210,600)

2022/23				2023/24		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
			Remeasurements:			
0	(3,400)	(3,400)	Changes in demographic assumptions	0	(100)	(100)
0	(102,100)	(102,100)	Changes in financial assumptions	0	(10,600)	(10,600)
0	12,200	12,200	Other experience	0	5,100	5,100
0	(93,300)	(93,300)	Total remeasurements recognised in OCI	0	(5,600)	(5,600)
0	(188,000)	(188,000)	Present value of funded liabilities	0	(187,100)	(187,100)
0	(17,700)	(17,700)	Present value of unfunded liabilities	0	(17,900)	(17,900)
0	(205,700)	(205,700)	Closing position at 31 March	0	(205,000)	(205,000)

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

2022/23				2023/24		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
73,500	39.10%	24.3	Members	75,000	40.09%	24.6
9,400	5.00%	27.3	Deferred Members	9,400	5.02%	27.3
105,100	55.90%	12.6	Pensioners	102,700	54.89%	12.6
188,000	100.00%	17.9		187,100	100.0%	18.2
7,300	41.24%	24.3	Contingent injuries	7,500	41.90%	24.6
10,400	58.76%	12.1	Injury pension liabilities	10,400	58.10%	12.1
17,700	100.00%	17.1		17,900	100.0%	17.3

c) Pension Fund Assets Comprise.

The Local Government Pension schemes comprise the following assets:

	Fair value of scheme assets							
	2022/23				2023/24			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
Asset Class	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Fixed Interest Government Securities:								
- UK	12,667	0	12,667	0.8%	0	0	0	0.0%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Fixed Interest Government Securities	12,667	0	12,667	0.8%	0	0	0	0.0%
Index Linked Government Securities:								
- UK	20,173	0	20,173	1.3%	0	0	0	0.0%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Index Linked Government Securities	20,173	0	20,173	1.3%	0	0	0	0.0%
Corporate Bonds:								
- UK	144,493	0	144,493	9.2%	209,785	0	209,785	12.0%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Corporate Bonds	144,493	0	144,493	9.2%	209,785	0	209,785	12.0%
Equities:								
- UK	238,162	0	238,162	15.2%	139,857	0	139,857	8.0%
- Overseas	632,859	0	632,859	40.5%	734,249	0	734,249	42.0%
Total Equities	871,021	0	871,021	55.7%	874,106	0	874,106	50.0%

	Fair value of scheme assets							
	2022/23				2023/24			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
Asset Class	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Property:								
- All	95,859	21,267	117,126	7.5%	87,411	34,964	122,375	7.0%
Total Property	95,859	21,267	117,126	7.5%	87,411	34,964	122,375	7.0%
Other:								
- Hedge fund	0	62,238	62,238	4.0%	0	104,893	104,893	6.0%
- Private Equity	0	120,098	120,098	7.7%	0	122,375	122,375	7.0%
- Infrastructure	0	60,987	60,987	3.9%	0	69,928	69,928	4.0%
- Commodities	0	0	0	0.0%	0	0	0	0.0%
- Bonds	75,374	0	75,374	4.8%	174,821	0	174,821	10.0%
- Private Debt	0	29,399	29,399	1.9%	0	17,482	17,482	1.0%
- Other Diversified Alternatives	0	469	469	0.0%	0	0	0	0.0%
- Forward Currency Contracts	0	3,909	3,909	0.2%	0	0	0	0.0%
- Cash/Temporary Investments	44,880	0	44,880	2.9%	52,446	0	52,446	3.0%
- Debtors	938	0	938	0.1%	0	0	0	0.0%
- Creditors	0	0	0	0.0%	0	0	0	0.0%
Total Other	121,193	277,100	398,292	25.5%	227,268	314,678	541,946	31.0%
Total Assets	1,265,406	298,367	1,563,773	100.0%	1,398,570	349,642	1,748,212	100.0%

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 - 10% (-2.39% 2022-23).

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 31st March 2022.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2022/23	2023/24	2022/23	2023/24
Price Increases	2.9%	3.3%	3.20%	3.10%
Salary Increases	3.9%	4.0%	3.20%	3.10%
Pension Increases (CPI)	2.9%	3.0%	2.95%	2.80%
Discount Rate	4.8%	4.9%	4.75%	4.90%
Equity investments	-2.39%	0.00%	N/A	N/A

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2022 (fire fighters) and CMI 2022 (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.

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
Life expectancy - Years	Male	Female	Male	Female
Current Pensioners	19.5	22.7	25.8	28.7
Future Pensioners (*1)	20.8	24.1	27.2	30.0

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

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	1,424,743	1,512,771	1,536,191	1,560,213	1,662,747
Projected service cost	29,719	34,312	35,560	36,853	42,494
Adjustment to long term salary increases	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	1,544,099	1,537,747	1,536,191	1,534,647	1,528,595
Project service cost	35,677	35,584	35,560	35,537	35,444
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	1,656,732	1,559,094	1,536,191	1,513,854	1,429,839
Project service cost	42,679	36,870	35,560	34,294	29,542
Adjustment to life expectancy assumptions		+1 year	None	-1 year	
Present value of total obligation		1,602,942	1,536,191	1,472,611	
Projected Service cost		36,888	35,560	34,269	

Fire Fighters' Pension Scheme

Change in assumptions in year ended 31 March 2024	Approximate Change to Employer Liability %	Approximate monetary Amount £000
0.5% decrease in Real Discount rate	10.0%	19,530
1 year increase in member life expectancy	3.0%	6,150
0.5% increase in the Salary Increase Rate	<1%	680
0.5% increase in the Pension Increase Rate	8.0%	15,950

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 to narrow a range. A large proportion of the assets relate to equities (50% of scheme assets) and Bonds (14%), absolute funds (23%). The scheme also invests in properties (7%), 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.

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 2025.

	Local Government Pension	Fire Fighters' Pension Scheme
Net (liability) /asset	£000	£000
Projected Current Service Cost	(36,859)	(1,600)
Total Net Interest Cost	(1,565)	(9,800)
Total included in Income and Expenditure	(38,424)	(11,400)

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2023/24. The authority expects to pay £48.796m in contributions to the LGPS in 2024/25.

NOTE 30. OPERATING ACTIVITIES

The cash flow operating activities include the following items:

2022/23 £'000		2023/24 £'000
(3,992)	Interest received	(11,758)
20,764	Interest paid	22,924

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

2022/23 £'000		2023/24 £'000
(91,727)	Depreciation	(102,706)
(2,897)	Impairment and downward valuations	(8,325)
(362)	Amortisation	(1,264)
20,002	Increase/decrease in Creditors	(34,974)
22,348	Increase/decrease in Debtors	13,000
(27)	Increase/decrease in Inventories	175
(13,619)	Movement in Pension Liability	29,081
(5,181)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(12,597)
4,280	Other non-cash items charged to the Net Surplus or Deficit on the Provision of Services	(4,099)
(67,184)	Net surplus/(deficit) on Provision of Services for non-cash movements	(121,709)

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

2022/23 £'000		2023/24 £'000
87,139	Capital Grants credited to Surplus or Deficit on the Provision of Services	97,101
4,332	Proceeds from sale of property, plant and equipment, investment property and intangible assets	5,729
1,855	Any other items for which the cash effects are investing or financing cash flows	1,747
93,326	Net surplus/(deficit) on Provision of Services for Investing & Financing activities	104,577

NOTE 31. INVESTING ACTIVITIES

The cash flow investing activities include the following items:

2022/23 £'000		2023/24 £'000
148,053	Purchase of property, plant and equipment, investment property and intangible assets	167,832
1,311,016	Purchase of short-term and long- term investments	1,240,966
593	Other payments for investing activities	542
(4,332)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(5,729)
(1,353,338)	Proceeds from short-term and long-term investments	(1,243,940)
(86,151)	Capital Grants Received (Government)	(95,192)
(1,926)	Increase/(decrease) in impairment for bad debts	288
(2,448)	Other receipts from investing activities	(2,289)
11,466	Net cash flow from investing activities	62,478

NOTE 32. FINANCING ACTIVITIES

The cash flow financing activities include the following items:

2022/23 £'000		2023/24 £'000
(109)	Cash receipts of short and long-term borrowing	(11,041)
885	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	762
8,542	Repayments of short and long-term borrowing	21,532
9,318	Net cash flow from Financing activities	11,253

Reconciliation of Liabilities Arising from Financing Activities:

	2022/23		Non-cash changes		2023/24
	£'000	Financing cash flows	Acquisitions	Other	£'000
Long term borrowing	458,447	(8,393)			450,054
Short term borrowing	14,170	(2,098)			12,072
Lease liabilities	178	(7)	0	0	170
On Balance sheet PFI Liabilities	6,754	(755)	0	0	5,999
Total liabilities from financing activities	479,548	(11,253)	0	0	468,295

	2021/22		Non-cash changes		2022/23
	£'000	Financing cash flows	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
Total liabilities from financing activities	488,867	(9,317)	0	0	479,548

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 (DTOC) are crucial areas that the Board is responsible for reviewing.

2022/23 £'000	Proactive Care	2023/24 £'000
65,337	Gross Partnership Expenditure	66,304
(65,337)	Gross Partnership Income	(66,304)
0	(Surplus)/Deficit	0
45,000	Contribution from LCC	0

This was split across both Health and Social care expenditure in 2023/24. 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 2023/24.

b) Learning Disability

In 2001/02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Groups established a pooled budget Partnership Arrangement for the provision of Learning Disability services. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256s.

2022/23 £'000	Learning Disability	2023/24 £'000
89,289	Gross Partnership Expenditure	109,973
(87,947)	Gross Partnership Income	(106,227)
1,342	(Surplus)/Deficit	3,747
61,244	Contribution from LCC	76,265

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. 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 2023/24 with an overspend of £0.724m for the year. The service has seen growth in Supported Living, Residential 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 which has helped offset some of the high cost packages. A legal decision around the backdated payment due for an out of county S117 case has accounted for the service overspend.

c) Lincolnshire Community Equipment Service (LCES)

From 1st April 2015 LCC entered into a S75 agreement with the then 4 Lincs CCG for the provision of an integrated Community Equip service (ICES)

2022/23 £'000	Integrated Community Equipment Service	2023/24 £'000
2,781	Gross Partnership Expenditure	2,836
(6,250)	Gross Partnership Income	(6,881)
(3,469)	(Surplus)/Deficit	(4,045)
2,781	Contribution from LCC	2,836

This is a 46:54 shared responsibility budget between the Council and the Clinical Commissioning Groups (now Lincolnshire Integrated Care Board) and there is a risk share agreement regarding any under or overspends in year.

d) Child & Adolescent Mental Health Services

In 2012-13 Lincolnshire County Council and Lincolnshire Clinical Commissioning Groups established a pooled budget Partnership Arrangement for the provision of Child &

Adolescent Mental Health Service. The size of this pooled budget increased from 2016-17 following variations made which incorporated additional functions into the Section 75 Agreement.

The Children and Adolescent Mental Health Services (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.

2022/23 £'000	Child & Adolescent Mental Health Services	2023/24 £'000
14,050	Gross Partnership Expenditure	17,071
(14,050)	Gross Partnership Income	(17,071)
0	(Surplus)/Deficit	0
725	Contribution from LCC	725

The figures within the CAMHS are made up mostly from the Child and Adolescent Mental Health services but now also includes 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 2023/24, which also includes the LCC contribution of £725k.

e) Sexual Health

During 2015/16 the County 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 County Council. Whilst County Council is responsible for the contract the funding is received from NHS England in respect of the HIV services. As such a S.75 agreement has been agreed between the County Council and NHS England

2022/23		2023/24
£'000	Sexual Health	£'000
5,040	Gross Partnership Expenditure	5,736
(5,040)	Gross Partnership Income	(5,708)
(0)	(Surplus)/Deficit	27
0	Contribution from LCC	0

NOTE 34. MEMBERS ALLOWANCES

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

2022/23		2023/24
£'000		£'000
789	Basic Allowances	817
528	Special Responsibility Allowances	553
39	Expenses	43
1,356	Total	1,413

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.

2022/23			2023/24	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments	Pay Band	Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments
-	1	£150,000- £154,999	2	-
1	-	£135,000- £139,999	1	-
-	-	£130,000- £134,999	-	-
1	-	£125,000- £129,999	1	-
1	-	£120,000- £124,999	-	-
-	-	£115,000- £119,999	2	-
-	-	£110,000- £114,999	2	-
3	-	£105,000- £109,999	8	-
4	1	£100,000- £104,999	6	-
9	-	£95,000- £99,999	8	-
7	-	£90,000- £94,999	8	-
9	-	£85,000- £89,999	18	-
17	1	£80,000- £84,999	12	-
32	-	£75,000- £79,999	54	-
40	-	£70,000- £74,999	43	-
67	-	£65,000- £69,999	80	-
82	-	£60,000- £64,999	108	-
135	1	£55,000- £59,999	178	-
227	-	£50,000- £54,999	267	2
635	4	Total	798	2

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:

2022/23					2023/24			
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	Pay Band	Schools	Other Services	Schools	Other Services
-	-	-	1	£150,000- £154,999	-	2	-	-
-	1	-	-	£135,000- £139,999	-	1	-	-
-	-		-	£130,000- £134,999	-	-	-	-
	1		-	£125,000- £129,999	1	-	-	-
1	-	-	-	£120,000- £124,999	-	-	-	-
-	-	-	-	£115,000- £119,999	-	2	-	-
-	-	-	-	£110,000- £114,999	-	2	-	-
-	3	-	-	£105,000- £109,999	4	4	-	-
2	2	-	1	£100,000- £104,999	1	5	-	-
2	7	-	-	£95,000- £99,999	2	6	-	-
2	5	-	-	£90,000- £94,999	2	6	-	-
5	4	-	-	£85,000- £89,999	7	11	-	-
6	11	-	1	£80,000- £84,999	8	4	-	-
11	21	-	-	£75,000- £79,999	15	39	-	-
13	27	-	-	£70,000- £74,999	18	25	-	-
24	43	-	-	£65,000- £69,999	36	44	-	-
38	44	-	-	£60,000- £64,999	33	75	-	-
45	90	-	1	£55,000- £59,999	51	127	-	-
75	152	-	-	£50,000- £54,999	110	157	-	2
224	411	0	4	Total	288	510	0	2

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 £
Job Title				
Deborah Barnes - Chief Executive	2023/24	198,522	47,844	246,366
	2022/23	*191,808*	*33,566*	*225,374*

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	2023/24	146,318	35,263	181,581
	2022/23	*141,370*	*24,740*	*166,110*
Executive Director of Adult Care & Community Wellbeing (New Staff)	2023/24	*61,797*	*14,893*	76,691
	2022/23	*0*	*0*	*0*
Executive Director of Children's Services	2023/24	158,863	37,619	196,481
	2022/23	*149,370*	*33,476*	*182,846*
Deputy Chief Executive & Executive Director of Resources	2023/24	171,418	41,312	212,730
	2022/23	*163,492*	*28,611*	*192,103*
Executive Director - Place	2023/24	146,318	35,263	181,581
	2022/23	*141,370*	*24,740*	*166,110*
Chief Fire Officer	2023/24	141,020	40,614	*181,634*
	2022/23	*124,574*	*35,112*	*159,686*
Director of Public Health	2023/24	122,419	17,604	140,023
	2022/23	*139,273*	*20,027*	*159,300*

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).

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £	2023/24 £
£0 - £20,000	13	6	21	12	34	18	£301,393	£85,232
£20,001 - £40,000	2	0	17	5	19	5	£537,457	£125,398
£40,001 - £60,000	0	0	5	2	5	2	£249,856	£106,947
£60,001 - £80,000	1	0	2	1	3	1	£204,764	£75,420
£80,001 - £100,000	0	0	1	1	1	1	£88,144	£83,901
£100,001 - £250,000	1	0	5	2	6	2	£758,735	£208,265
Total	17	6	51	23	68	29	£2,140,348	£685,163

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 Note 37 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 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 2023-24 the County Council has incurred liabilities of £0.680m (£2.138m in 2022-23) in relation to termination benefits.

- £0.567m for redundancy payments (£1.196m in 2022-23); and
- £0.114m for pension strain and additional pension awards (£0.942m in 2022-23).

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 2023-24.

NOTE 38. EXTERNAL AUDIT COSTS

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

	2022/23	2023/24
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	95	145
Fees payable to the Appointed Auditor for other services	9	0
Total	104	145

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 2023. The Schools Budget included 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 2023/24 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2023/24 before Academy and High Needs recoupment			725,151
Academy and High Needs Figure recouped for 2023/24			(424,254)
Total DSG after Academy and High Needs recoupment for 2023/24			300,897
Plus: Brought Forward from 2022/23			16,023
Less: Carry Forward to 2024/25 agreed in advance			0
Agreed Initial Budgeted Distribution in 2023/24	164,195	152,723	316,918
In Year Adjustments	322	(673)	(351)
Final Budget Distribution for 2023/24	164,517	152,050	316,567
less: Actual central expenditure	(148,237)		(148,237)
less: Actual ISB deployed to schools		(152,050)	(152,050)
plus: Local Authority Contribution 2023/24	0	0	0
In year carry forward 2024/25	16,280	0	16,280
plus: Carry forward to 2024/25 agreed in advance	0	0	0
Carry forward to 2024/25	16,280	0	16,280
DSG unusable reserve at the end of 2023/24			0
Addition to DSG unusable reserve at the end of 2023/24			0
Total of DSG unusable reserve at the end of 2023/24			0
Net DSG position at the end of 2023/24			16,280

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.

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
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 2022/23 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

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.

a. 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.

b. Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2023-24 is 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 also on-line from 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 2023-24 the following have been declared:

Councillors

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

38 Councillors have declared that either they or their immediate family members are Councillors or employees of one or more of the seven Lincolnshire District Councils. The seven District Councils are partner organisations of the County Council. We paid £24.271m to the District Councils and received income of £8.504m in 2023/24.

27 Councillors or their immediate family members have declared an interest in a total of 41 public bodies (e.g. schools, parish councils, NHS bodies, drainage boards). Of these 41 public bodies, we spent a total of £1.958m with 19 public bodies and received income of £0.161m from 9 public bodies in 2023/24.

19 Councillors or their immediate family members have declared an interest in a total of 61 charitable or voluntary bodies. Of these 61 charitable or voluntary bodies, we spent a total of £3.554m with 9 bodies and received income of £0.032m from 3 bodies in 2023/24.

21 Councillors or their immediate family members have declared an interest in a total of 32 private sector organisations. Of these 32 private sector organisations, we spent a total of £0.045m with 1 organisation relating to 1 Councillor in 2023/24.

Chief Officers

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

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 £0.291m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £3.825m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

"Lincolnshire County 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 Integrated Commissioning Board.

The Council paid £6.019m (£6.357m in 2022/23) acting as an agent of the NHS Lincolnshire ICB (Integrated Commissioning Board) in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Integrated Commissioning Board."

The Council 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 GL LEP directly, as all transactions are made through the Accountable Body, whilst acting as an Agent. 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 nil at the 31 March 2024

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 2024 is £4.459m (2022-23: £3.933m), of which £4.415m :99% (2022-23: 98%) came from the Council.

The Council owns three further subsidiary companies: Lincolnshire Future Limited, Lincolnshire County Property Limited and Legal Services Lincolnshire (Trading) Limited. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited - Only Legal Services Lincolnshire had started trading by 31st March 2024. Legal Services Lincolnshire (Trading) Limited was created during 2019/20 and will be completing its first year of accounts by 31st March 2025.

Applications were made in March 2024 to close the two companies Lincolnshire Future Limited and Lincolnshire County Property Limited and remove them from the companies register.

e. Other Public Bodies

The Council owns a nominal share in Hoople Limited. 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 for the year ending 31 March 2024 £1.074m (2022-23 £0.753m) to Hoople, with no income transactions.

NOTE 41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the financing of the £199.227m 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 2023/24 expenditure is provided in the Narrative Report, with details of the asset acquired.

2022/23		2023/24
£'000		£'000
645,995	Opening Capital Financing Requirement	677,273
	Capital Investment:	
158,268	Property, Plant and Equipment	171,684
515	Investment Property	429
0	Intangible Assets	348
39,002	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	26,766
	Sources of Finance:	
(4,332)	Capital Receipts	(5,729)
(89,658)	Government Grants and Contributions	(90,292)
(7,574)	Government Grants and Contributions funding REFCUS	(17,302)
	Sums set aside from Revenue:	
(34,906)	Direct Revenue Contributions	(45,446)
(20,694)	Minimum Revenue Provision	(21,126)
(9,343)	Voluntary Revenue Provision	(14,746)
677,273	Closing Capital Financing Requirement	681,859
31,277	Movement in Year:	4,585
	Explanation of movement in year:	
31,277	Increase in underlying need to borrow (unsupported by government financial assistance)	4,585
31,277	Increase/(Decrease) in Capital Financing Requirement	4,585

In line with our policy on Minimum Revenue Provision, we have made a Voluntary Revenue Provision in 2023/24, which was funded by an underspend on capital financing charges. The total amount of Voluntary Revenue Provision made is £50.266m, of which £14.746m was made in 2023/24, £9.343m was made in 2022/23 and £26.177m was made in 2021/22.

NOTE 42. CONTINGENT LIABILITIES

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 2024 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 couple of financial years 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 and whilst damages have been agreed on a few of the current claims, costs are outstanding, and the remaining claims are still under negotiation. It should also be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) continues to be reported there is a possibility that claims under 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 reserve's 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

1. General Principles and Concepts.

The Statement of Accounts summarises the Council's transactions for the financial year 2023/24 and the position at the year ended 31 March 2024. 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 2023/24 and supported by International Financial Reporting Standards and statutory guidance.

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.
- 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 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 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.
- 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).

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 (EUV) 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.
- 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 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 2023/24. The Council did not use this flexibility in 2020/21, 2021/22 or 2022/23 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 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.

06. 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.
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. Depreciation is not charged on Investment Properties.

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

b) 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.

c) 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.

07. 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.
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.

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.
Collections include Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections. 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.

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.
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).

08. 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.
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).
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.

09. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at fair value. The difference between the 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.

a) Where there are conditions associated with the asset which remain outstanding, the asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

b) Where there are no conditions or the conditions have been met, the donated asset will be recognised in the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

10. 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:

- 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.

11. 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.

12. 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.

13. 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 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.

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.

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.

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

15. 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 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.

16. 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
- 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 (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.

17. Debtors

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.

18. Creditors

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.

19. Inventories

Inventory assets include and will be carried at the following values:

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and

- Held for sale or distribution in the ordinary course of operations are carried at the lower of cost or net realisable value.

The Council has set a de minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

20. 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.

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.

21. Provisions

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.

Provisions are charged to 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.

22. Contingent Liabilities

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.

23. Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the Council from a past event, but the possible transfer 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 rights in the narrative notes to the accounts.

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

24. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position:

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting period will be reported in the narrative notes to the accounts.

Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

25. 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.

26. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts depending on how significant the items are to an understanding of the Council's financial performance.

27. 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.

28. Acquired and Discontinued Operations

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement on the surplus or deficit on acquired and/or discontinued operations line. These items will not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

29. 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.

30. 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).

31. Usable Reserves

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.

Unusable reserves

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

32. 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.

33. 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 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.

34. 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 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:
    - 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.

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.

35. 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.

36. 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. 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.

37. 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 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 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.

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 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 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 2024, 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. 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.
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.

38. 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 2023-24

2022/23 £'000	Fund Account	Note	2023/24 £'000
	Contributions Receivable:		
	From employer:		
(3,333)	Contributions in relation to pensionable pay	4	(3,527)
	From members:		
(1,503)	Fire-fighters' contributions	4	(1,587)
	Transfers in:		
(46)	Individual transfers from other schemes from Local Authorities	7	(41)
	Benefits payable:		
6,722	Pensions	5	7,188
990	Commutations and lump sum retirement benefits	5	1,457
2,830	Sub Total Net amount payable before top-up grant		3,490
(2,830)	Top up grant receivable from sponsoring department	6	(3,490)
0	Net amount payable/receivable		0

31 March 2023 £'000	Net Asset Statement	31 March 2024 £'000
	Current Assets:	
(424)	Amounts due from LCC	(519)
679	Pensions top up grant due	548
255	Total Current Assets	29
	Current Liabilities:	
(255)	Unpaid pension benefits	(29)
(255)	Total Current Liabilities	(29)
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 Public Finance & Accountancy.

There is no separate bank account for the pension fund therefore the County Councils 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 Councils Financial Statement shows the Councils 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 covered the 1992, 2006 and 2015 fire-fighters pension schemes. 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 22, the 1992 & 2006 schemes have closed. All firefighters 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 2023/24 the contribution rates for the 2015 scheme were a minimum of 39.8% of pensionable pay (28.8% employers and tiered employee's contribution of 11.0% to 14.5% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters are 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 ongoing 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 2024

2022/23 £'000		Note	2023/24 £'000
	Contributions and Benefits		
(135,108)	Contributions Receivable	(6)	(151,367)
(10,049)	Transfers In From Other Pension Funds	(7)	(13,006)
(145,157)			(164,373)
105,863	Benefits Payable	(8)	120,762
8,661	Payments To and On Account of Leavers	(9)	6,563
114,524			127,325
(30,633)	Net (additions)/withdrawals from dealings with Fund Members		(37,048)
13,745	Management Expenses	(10)	13,426
(16,888)	Net (additions)/withdrawals including Management Expenses		(23,622)
	Returns on Investments		
(15,170)	Investment Income	(11)	(14,941)
12,511	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	(12A)	(288,070)
30,180	(Profit)/Loss on Forward Foreign Exchange	(13)	(7,764)
27,521	Net Returns on Investments		(310,775)
10,633	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		(334,397)
(3,070,913)	Opening Net Assets of the Fund		(3,060,280)
(3,060,280)	Closing Net Assets of the Fund		(3,394,677)

Net Asset Statement as at 31 March 2024

31 March 2023 £'000		Note	31 March 2024 £'000
1,182	Long Term Investment Assets	(12)	1,182
3,033,643	Investment Assets	(12)	3,372,149
-	Investment Liabilities	(12)	(6,425)
3,034,825	Total Net Investments		3,366,906
28,682	Current Assets	(19)	30,986
(3,227)	Current Liabilities	(20)	(3,215)
3,060,280	Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		3,394,677

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 Fund Note 18.

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 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.

There are 262 contributing employer organisations in the Fund including the County Council and just under 80,800 members as detailed below:

	31 March 2023	31 March 2024
Number of employers with active members	256	262
Number of employees in the Fund:		
- Lincolnshire County Council	10,140	9,748
- Other Employers	16,551	16,215
Total	26,691	25,963
Number of Pensioners:		
- Lincolnshire County Council	17,813	18,638
- Other Employers	9,418	10,021
Total	27,231	28,659
Number of Deferred Pensioners:		
- Lincolnshire County Council	16,659	16,492
- Other Employers	8,992	9,678
Total	25,651	26,170
Total number of Members in the Scheme:	79,573	80,792

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 2023/24 were determined at the 2022 Valuation, or when a new employer joins the scheme. Rates paid during 2023/24 ranged from 16.3% to 33.4% of pensionable pay. In addition, just under 50% 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.

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.
Lump Sum	Automatic lump sum of 3/80 x salary.	No automatic 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 2023/24 financial year and its position at year end as at 31 March 2024.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 Pension Fund 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 Pension Fund Note 18.

The accounts have been prepared on a going concern basis.

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 2024/25 the Code introduces the following changes to the accounting standards:

- Introduction of IFRS 16 Leases, issued in January 2016;
- Amendments to Classification of Liabilities as Current or Non-current (amendments to IAS 1), issued in January 2020;
- Amendments to Lease Liability in a Sale and Leaseback (amendments to IFRS 16), issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions;
- Amendments to Non-current Liabilities with Covenants (amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants;
- Amendments to International Tax Reform: Pillar Two Model Rules (amendments to IAS 12) issues in May 2023. Pillar two applies to multinational groups with a minimum level of turnover; and
- Amendments to Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2024/25.

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.

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 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 costs associated with pensions administration 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 costs associated with the governance and oversight are recharged 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.

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).

Private market, infrastructure, private equity and property venture 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

Dividends, distributions, 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.

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: cash in hand, deposits and 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, 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 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 Pension Fund 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 Pension Fund 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 2024 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:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Pension Fund Note 18)	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.	At 31 March 2024 the present value of the total obligation was estimated by the actuary to be £2,929.4m. The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would reduce future pension liabilities by c. £224.3m. 2) a 0.25% increase in earnings inflation would increase the value of liabilities by c. £8.7m. 3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c. £251.0m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £118.6m.
Hedge Funds (Pension Fund 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 +/- £17.4m on a carrying value of £217.6m.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of unquoted level three investments (including: private markets, infrastructure, other property and private equity) (Pension Fund 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 us a degree of estimation involved in the valuation.	Level three investments at 31 March 2024 are valued at £473.5m in the financial statements. There is a risk that these investments may be under or overstated in the accounts. Private markets by +/-14% or £48.2m on a carrying value of £344.4m. Infrastructure by +/-15% or £10.0m on a carrying value of £67.0m. Property Venture by +/-15% or £8.7m on a carrying value of £58.2m. Private Equity by +/-23% or £0.9m on a carrying value of £3.9m.

Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2022/23 £'000	2023/24 £'000
Employers		
Normal Contributions	77,979	115,362
Deficit Recovery Contributions	29,532	5,196
Additional – Augmentation Contributions	823	1,126
Members		
Normal Contributions	26,661	29,552
Additional years Contributions	113	131
Total	135,108	151,367

These contributions are analysed by type of Member Body as follows:

	2022/23 £'000	2023/24 £'000
Lincolnshire County Council – Administering Authority	57,232	58,630
Scheduled Bodies	75,111	89,059
Admitted Bodies	2,765	3,678
Total	135,108	151,367

Note 7. Transfers In From Other Pension Funds

	2022/23 £'000	2023/24 £'000
Individual transfers from other schemes	10,049	13,006
Total	10,049	13,006

There were no material outstanding transfers due to the Pension Fund as at 31 March 2024.

Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2022/23	2023/24
	£'000	£'000
Pensions	87,322	97,825
Commutations & Lump Sum Retirement Benefits	15,688	20,098
Lump Sum Death Benefits	2,853	2,839
Total	105,863	120,762

These benefits are analysed by type of Member Body as follows:

	2022/23	2023/24
	£'000	£'000
Lincolnshire County Council – Administering Authority	55,296	61,961
Scheduled Bodies	45,767	53,417
Admitted Bodies	4,800	5,384
Total	105,863	120,762

Note 9. Payments To and On Account of Leavers

	2022/23	2023/24
	£'000	£'000
Individual transfers to other schemes	8,347	6,149
Refunds to members leaving service	315	414
Total	8,662	6,563

There were no material outstanding transfers due from the Pension Fund as at 31 March 2024.

Note 10. Management Expenses

	2022/23	2023/24
	£'000	£'000
Administration Costs	1,386	1,513
Investment Management Expenses	11,445	10,966
Oversight and Governance Costs	914	947
Total	13,745	13,426

The statutory audit fee for the year was £0.083m (£0.023m in 2022/23, plus known fee variations of £0.008m).

A further breakdown of the investment management expenses is shown below:

2023/24	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	4,737	3,884	-	853
Unitised Insurance Policies	711	711	-	-
Unit Trusts	913	714	19	180
Other Managed Funds	4,339	3,912	215	212
Cash	-	-	-	-
	10,700	9,221	234	1,245
Custody Fees	266			
Total	10,966			

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
	11,169	8,391	1,889	889
Custody Fees	276			
Total	11,445			

Note 11. Investment Income

	2022/23	2023/24
	£'000	£'000
Equities	179	28
Unit Trusts:		
- Property	2,455	1,501
Other Managed Funds:		
- Property	703	1,414
- Infrastructure	4,199	3,325
- Private Markets	5,293	3,898
Interest on Cash Deposits	2,341	4,775
Total	15,170	14,941

Note 12. Investments

	31 March 2023	31 March 2024
	£'000	£'000
Long Term Investments		
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
Total Long-Term Investments	1,182	1,182
Investment Assets		
Pooled Investment Vehicles		
Managed by Border to Coast:		
- Bonds	219,309	411,138
- Equities – Global	763,782	539,398
- Equities – Overseas Developed Markets	-	348,423
- Equities – UK	462,066	277,892
- Multi Asset Credit	146,217	325,269
Unitised Insurance Policies:		
- Bonds	124,858	-
- Equities – Global	463,892	517,508
Unit Trusts:		
- Property	140,502	130,424
Other Managed Funds:		
- Infrastructure	68,498	66,961
- Private Equity	6,123	3,922
- Private Markets	466,582	562,018
- Property	86,653	98,362
Total Pooled Investment Vehicles	2,948,482	3,281,315
Other Investment Assets		
Derivatives:		
- Open Forward Foreign Exchange (FX)	7,545	-
Cash Deposits	75,666	88,882
Investment Income Due	1,950	1,952
Total Other Investment Assets	85,161	90,834
Total Investment Assets	3,033,643	3,372,149
Investment Liabilities		
Derivatives:		
- Open Forward Foreign Exchange (FX)	-	(6,425)
Total Investment Liabilities	-	(6,425)
Total Net Investment Assets	3,034,825	3,366,906

12A Reconciliation of Movements in Investments

2023/24	Market Value at 31 March 2023 £'000	Purchases and Derivative Payments £'000	Sales and Derivative Receipts £'000	Change in Value during the Year £'000	Market Value at 31 March 2024 £'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long-Term Investment	1,182	-	-	-	1,182
Investment Assets					
Pooled Investment Vehicles					
- Managed by Border to Coast	1,591,374	635,000	(538,846)	214,592	1,902,120
- Unitised Insurance Policies	588,750	2,580	(142,356)	68,534	517,508
- Unit Trusts	140,502	289	(10,383)	16	130,424
- Other Managed Funds	627,856	156,526	(58,047)	4,928	731,263
Total Pooled Investment Vehicles	2,948,482	794,395	(749,632)	288,070	3,281,315
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	7,545	4,160,937	(4,182,671)	7,764	(6,425)
Total Other Investments	7,545	4,160,937	(4,182,671)	7,764	(6,425)
Other Investment Balances					
- Cash Deposits	75,666				88,882
- Investment Income Due	1,950				1,952
Total Other Investments	77,616	-	-	-	90,834
Total Net Investment Assets	3,034,825	4,955,332	(4,932,303)	295,834	3,366,906

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
Total Long Term Investment	1,182	-	-	-	1,182
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
Total Pooled Investment Vehicles	2,931,637	324,789	(295,433)	(12,511)	2,948,482
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	2,758	4,061,063	(4,026,096)	(30,180)	7,545
Total Other Investments	2,758	4,061,063	(4,026,096)	(30,180)	7,545
Other Investment Balances					
- Cash Deposits	115,609				75,666
- Amount Receivable for Sales	1,003				-
- Investment Income Due	2,010				1,950
Total Other Investments	118,622	-	-	-	77,616
Total Net Investment Assets	3,054,199	4,385,852	(4,321,529)	(42,691)	3,034,825

12B Investments Analysed by Fund Manager

Fund Manager	31 March 2023		31 March 2024	
	£'000	%	£'000	%
Investments managed by Border to Coast:				
- Global Equity Alpha	763,782	25.2	539,398	16.0
- Sterling Investment Grade Credit	219,309	7.2	411,138	12.2
- Overseas Developed Market Equity	-	-	348,423	10.4
- Multi-Asset Credit	146,217	4.8	325,269	9.7
- Listed UK Equity	462,066	15.2	277,892	8.3
Unitised Insurance Policies:				
- Legal and General (Future World Fund)	463,892	15.3	517,508	15.4
- Blackrock (Bond Portfolio)	124,858	4.1	-	-
Investments managed outside of the asset pool:				
- Morgan Stanley (Private Markets)	477,535	15.7	568,350	16.8
- Morgan Stanley (Legacy Private Equity)	6,891	0.2	4,424	0.1
- Internally Managed (Property Unit Trusts)	140,579	4.7	130,424	3.9
- Internally Managed (Infrastructure)	68,852	2.3	67,264	2.0
- Internally Managed (Property)	86,656	2.9	98,362	2.9
- Internally Managed (Cash managed by LCC Treasury Management Team)	58,000	1.9	65,000	1.9
- Unallocated Cash	15,006	0.5	12,272	0.4
Total	3,033,643	100.0	3,365,724	100.0

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 2023		31 March 2024	
	£'000	%	£'000	%
Morgan Stanley (Private Markets)	466,582	15.2	560,018	16.6
Border to Coast (Global Equity Alpha)	763,782	25.0	539,398	15.9
Legal and General (Future World Fund)	463,892	15.2	517,508	15.2
Border to Coast (Sterling Investment Grade Credit)	219,309	7.2	411,138	12.1
Border to Coast (Overseas Developed Market Equity)	-	-	348,423	10.3
Border to Coast (Multi-Asset Credit)	146,217	4.8	325,269	9.6
Border to Coast (Listed UK Equity)	462,066	15.1	277,892	8.2

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 manager.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's private markets 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	1,872	AUD	3,618	-	
	GBP	14,140	CAD	24,380		(132)
	GBP	13,720	EUR	16,011		(6)
	GBP	515,890	USD	659,924		(6,287)
Total					-	(6,425)
Net Forward Currency Contracts at 31 March 2024						(6,425)
Prior year comparative						
Open forward currency contracts at 31 March 2023					7,606	(61)
Net Forward Currency Contracts at 31 March 2023						7,545

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 2023/24 this was a profit of £7.764m (£30.180m loss in 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
Level One			
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.
Level Two			
Unquoted equity investments, fixed income bonds, unit trusts and 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.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level Three			
Pooled fund investments 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 events 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.
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 to 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 below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Potential variation in fair value	Value as at 31 March 2024	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Infrastructure	14%	66,961	76,336	57,586
Private Equity	23%	3,922	4,824	3,020
Private Markets:				
- Hedge Funds	8%	217,648	235,060	200,236
- Unquoted Holdings	15%	344,370	396,026	292,715
Property Venture	15%	58,231	66,966	49,496

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 2024 – 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:				
Pooled Investment Vehicles:				
Managed by Border to Coast		1,902,120		1,902,120
Unitised Insurance Policies		517,508		517,508
Unit Trusts		130,424		130,424
Other Managed Funds		40,131	691,132	731,263
Derivatives: Forward Foreign Exchange		-		-
Cash	13,208			13,208
	13,208	2,590,183	691,132	3,294,523
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(6,425)		(6,425)
		(6,425)		(6,425)
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	13,208	2,583,758	692,314	3,289,280

In line with the Fund’s accounting policy, private market, infrastructure, private equity and property venture valuations (included within Other Managed Funds) are based on the most recent valuations provided by managers at the year-end date, adjusted for purchases and sales which occur between the valuation date and 31 March. At the date these accounts were published £353.888m of level 3 valuations were based on 31 March 2024 valuations and £337.244m were based on earlier valuations plus cashflow movements.

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

14B Reconciliation of Fair Value Measurements within Level 3

2023/24	Market value at 31 March 2023	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 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure	68,498	1,839	(1,623)	(1,764)	11	66,961
Private Equity	6,123	223	(2,620)	(843)	1,039	3,922
Private Markets	455,250	135,084	(40,634)	4,190	8,128	562,018
Property Venture	41,187	19,379	(755)	(1,580)	-	58,231
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	572,240	156,525	(45,632)	3	9,178	692,314

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
Alternatives	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
Total	449,675	151,963	(51,266)	10,853	11,015	572,240

** 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.*

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 2024			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- Managed by Border to Coast	1,902,120			
- Unitised Insurance Policies	517,508			
- Unit Trusts	130,424			
- Other Managed Funds	731,263			
Derivatives: Forward Foreign Exchange	-			
Cash	13,208	91,569		
Other Investment Balances		1,952		
Sundry Debtors		3,914		
	3,294,523	97,435	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(6,425)			
Other Investment Balances			-	
Sundry Creditors			(1,489)	
	(6,425)	-	(1,489)	-
	3,288,098	97,435	(1,489)	1,182

	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
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- 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
Financial Liabilities				
Derivatives: Forward Foreign Exchange	-			
Other Investment Balances			-	
Sundry Creditors			(2,459)	
	-	-	(2,459)	-
	2,960,417	97,175	(2,459)	1,182

15B Net Gains and Losses on Financial Instruments

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

	2022/23	2023/24
	£000	£000
Financial Assets		
Fair Value through Profit and Loss	(12,511)	288,070
	(12,511)	288,070

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 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 and investment vehicles 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 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 2024/25; 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 2024	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	277,892	16%	322,355	233,429
Global Equities	1,056,906	16%	1,226,011	887,801
Overseas Equities	348,423	16%	404,171	292,675
Bonds	411,138	6%	435,806	386,470
Multi Asset Credit	325,269	7%	348,038	302,500
UK Property	188,655	15%	216,953	160,357
Overseas Property	40,131	15%	46,151	34,111
Infrastructure	66,961	14%	76,336	57,586
Private Equity	229,293	23%	282,030	176,556
Private Debt	50,412	12%	56,461	44,363
Private Real Assets	68,032	15%	78,237	57,827
Other Alternatives	555	15%	638	472
Hedge Funds	217,648	8%	235,060	200,236
Total Assets Available	3,281,315		3,728,247	2,834,383

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
Global 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
Total Assets Available	2,948,482		3,384,779	2,512,185

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 +/- 150 basis points (+/- 1.5%) in interest rates from one year to the next is likely (+/-100 basis points in 2022/23).

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 +/- 1.5% change in interest rates. This analysis demonstrates that a 1.5% 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.

Assets Exposed to Interest Rate Risk:

Exposure to interest rate risk	Value at 31 March 2024	Percentage movement on 1.5% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	88,882	-	88,882	88,882
Cash Balances	15,895	-	15,895	15,895
Bonds	411,138	6,167	417,305	404,971
Total	515,915	6,167	522,082	509,748

Exposure to interest rate risk	Value at 31 March 2023	Percentage movement on 1.0% 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
Total	443,756	3,442	447,198	440,314

Income Exposed to Interest Rate Risk	Interest Receivable 2023/24	Percentage movement on 1.5% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	4,775	72	4,847	4,703
Bonds	-	-	-	-
Total	4,775	72	4,847	4,703

Income Exposed to Interest Rate Risk	Interest Receivable 2022/23	Percentage movement on 1.0% 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	2,319
Bonds	-	-	-	-
Total	2,341	23	2,364	2,319

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 8%, as measured by one standard deviation (7% in 2022/23). An 8% 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 2024	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Hedge Funds	217,649	17,412	235,061	200,237
Overseas Infrastructure	15,573	1,246	16,819	14,327
Overseas Other Alternatives	555	44	599	511
Overseas Private Debt	49,523	3,962	53,485	45,561
Overseas Private Equity	229,293	18,343	247,636	210,950
Overseas Property	40,131	3,210	43,341	36,921
Overseas Real Private Assets	67,469	5,398	72,867	62,071
Total	620,193	49,615	669,808	570,578

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
Total	532,198	37,254	569,452	494,944

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. 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 2024 the balance at Barclays was £79.895m (£80.423m at 31 March 2023).

The Pension Fund closely monitors employer contributions each month. All contributions from employers, except one, due to the Fund for March 2024 were received by early May 2024 (the Fund is outstanding contributions from one employer, where the admission agreement is still to be finalised). 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 instruments that can be liquidated at short notice (pooled equities and bonds), normally within a week. As at 31 March 2024, these assets totalled £2,094.359m (£2,033.907m as at 31 March 2023), with a further £104.777m is held in cash (£99.589m as at 31 March 2023).
Currently, the Fund is cash flow positive each month (i.e. contributions received exceed pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

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 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:	
Base tables	S3PA tables
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	0.0% p.a.
2022/21 weighting parameter	5%

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

Investment returns on the Scheme's assets over the year to 31 March 2024 have been strong, estimated at 10% p.a. The Fund also has a positive cash flow, and so the market value of assets as at 31 March 2024 has increased since the formal valuation.

Liabilities

In July 2023, the actuary implemented a change to the funding basis as a result of recent increases in interest rates on the Fund's ongoing funding basis.

Since the last valuation date of 31 March 2022, there have been significant changes in the market conditions underlying the financial assumptions. In particular, there has been a significant increase in interest rates which affects the expected return of absolute return funds which formed 19% of the Fund's strategic asset allocation. Accordingly, the actuary believes that the target returns on such asset classes were becoming more difficult for investment managers to achieve.

As a result, the funding approach has been adjusted to assume that the long-term expected return for the absolute return funds is set approximately to two-thirds to equities and a third to gilts. This has led to an increase in liabilities over the period to 31 March 2024.

Further, inflation over the two years 31 March 2024 has been higher than the long-term average assumed at the 2022 valuation. This has also caused an increase in the liabilities as at 31 March 2024. However, this was anticipated when setting assumptions for the 2022 valuation and as expected long-term CPI inflation has fallen since March 2022 reducing the liabilities such that the actual CPI increases applied to members' benefits have been largely offset.

Overall position

Although the Fund's assets have performed well over the period and have broadly kept pace with the discount rate since March 2022, the increase in liabilities has resulted in a reduction to the funding position as at 31 March 2024, compared to the previous valuation.

The Fund continues 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.

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 Lincolnshire Pension Fund as at 31 March 2024. 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: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). 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 2024. 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 2023 - results of the previous IAS26 report;
- 31 March 2024 - actual Fund returns to;
- 31 March 2024 - Fund asset statement;
- 31 March 2024 - Fund income and expenditure items to; and
- 31 March 2024 - 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, including consistency with previous valuation data where relevant 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.

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 £478,740,000 for the year to 31 March 2024 (£432,477,000 for year to 31 March 2023).

Unfunded benefits

Unfunded benefits are excluded from the calculations as these are liabilities of employers rather than the Fund.

Early retirements

The calculations include 30 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 £253,200 (46 in the previous financial year totalling £254,000).

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2024 is calculated to be 10.00% 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 2024 is as follows (noting that due to rounding's they may not total 100%):

Asset Breakdown	31 March 2023		31 March 2024	
	£'000	%	£'000	%
Equities	1,709,023	56%	1,683,221	50%
Bonds	404,769	13%	461,537	14%
Property	230,604	8%	228,977	7%
Cash/temporary investments	97,607	3%	85,462	4%
Infrastructure	115,540	4%	135,135	4%
Absolute Return Fund	502,737	16%	771,903	23%
	3,060,280	100%	3,366,235	100%

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2024 post accounting date briefing note issued alongside this report unless noted otherwise below (a copy of this can be requested from the Fund). The key assumptions used are set out below.

Financial Assumptions	31 March 2023 % p.a.	31 March 2024 % p.a.
Discount Rate	4.80%	4.90%
Pension Increases (CPI)	2.85%	2.90%
RPI inflation	3.20%	3.20%
Salary Increases	3.85%	3.90%

Projected unit method is used in the calculations.

Actual pension increases up to and including the 2024 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 2023 to March 2024 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, except for an update of the CMI projection model. 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 2023	31 March 2024
Base table	S3PA	S3PA
Multiplier (M/F)	130% / 120%	130% / 120%
Future Improvements model	CMI_2021	CMI_2022
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%	0%
2021 weight parameter	5%	0%
2022 weight parameter	N/A	25%

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 2023	31 March 2024
Retiring Today		
Males	19.8	19.5
Females	22.9	22.7
Retiring in 20 years		
Males	21.1	20.8
Females	24.4	24.1

Fund Duration

The estimated Macaulay 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 2024 is estimated to be £436,863m.

Net pension asset in the statement of financial position as at:	31 March 2023 £'000	31 March 2024 £'000
Present value of the defined benefit obligation	(2,848,783)	(2,929,372)
Fair value of Fund assets (bid value)	3,060,280	3,366,235
Net surplus/(liability) in balance sheet	211,497	436,863

The present value of the defined benefit obligation consists of £2,896.446m (£2,814.706m as at 31 March 2023) in respect of vested obligation and £32.926m (£34.077m as at 31 March 2023) 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 (see Pension Fund Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

	31 March 2023	31 March 2024
	£'000	£'000
Short Term Debtors:		
Contributions due - Employers	3,172	8,938
Contributions due - Employees	727	1,807
Debtors Relating to Members	719	353
VAT Debtor	115	79
Sundry Debtors	26	3,914
Short Term Debtors	4,759	15,091
Cash Balances	23,923	15,895
Cash Balances	23,923	15,895
Total Current Assets	28,682	30,986

Note 20. Current Liabilities

	31 March 2023	31 March 2024
	£'000	£'000
Short Term Creditors:		
Contributions - paid in advance	(34)	(22)
Creditors Relating to Members	(734)	(1,704)
Sundry Creditors	(2,459)	(1,489)
Total Current Liabilities	(3,227)	(3,215)

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 date of publication, AVC information for 2023/24 had not been received from Prudential plc.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

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 £0.303m (£0.267m in 2022/23) 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 £46.445m (£46.404m in 2022/23) to the Fund in 2023/24. All monies owing to and due from the Fund were paid by the statutory deadline and accounted for in the financial 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 £74.272m (£67.390m in 2022/23) and interest of £3.825m (£1.579m in 2022/23) 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: J Balchin (Employee Representative), S Larter (Small Scheduled Bodies Representative) and T Hotchin (Academy Sector Representative) were contributing members of the Pension Fund during 2023/24. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme. Cllr M Allen and Cllr P Key (District Council Representative) were in receipt of a pension from the Lincolnshire Pension 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 2022/23) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2024 the Fund had invested in five sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, Overseas Developed Markets Equities, UK Listed Equities, Multi-Asset Credit and Investment Grade Credit (details shown in Note 12). The Fund also made a commitment of £85m to the Border to Coast Global Property sub-fund, no capital calls were made in 2023/24. During 2023/24 the Fund paid Border to Coast £5.875m (£4.126m in 2022/23) to manage these assets and the company.

Note 23. Key Management Personnel

The key management personnel of the Fund are the Deputy Chief Executive and 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: £0.144m short term benefits (£0.137m in 2022/23) and £0.035m post-employment benefits (£0.024m in 2022/23).

Note 24. Contractual Capital Commitments

At 31 March 2024 the Fund had outstanding capital commitments (investments) to twelve investment vehicles, amounting to £102.096m (£37.755m as at 31 March 2023). 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.

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.

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.

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 2023-24

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Annual Governance Statement 2024

ANNUAL GOVERNANCE STATEMENT 2024

The Council's Responsibilities

The Annual Governance Statement is a statutory document which explains the processes and procedures put in place to enable the council to conduct its business in accordance with the law and proper standards. It needs to demonstrate that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty to put in place proper arrangements for the governance of its affairs and the effective discharge of its functions to secure continuous improvement and management of risk.

The Accounts and Audit Regulations (2015) require the council to conduct a review, at least annually on the effectiveness of its internal control systems and include the Annual Governance Statement reporting on the review with the Statement of Accounts.

Lincolnshire is a place which we are proud of, and we will continue to ensure that our residents enjoy the lifestyle they deserve. The Council continues to work with our partners to enhance services and ensure we are successful in meeting the needs and expectations of our residents, businesses, and visitors through the delivery of our Corporate Plan.

We are satisfied that this statement provides a reasonable level of assurance that good governance is in place at Lincolnshire County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements will be monitored through the year by senior officers and reported through the Audit Committee.

____________________	____________________	____________________
Councillor Martin Hill OBE	Debbie Barnes OBE	Andrew Crookham
Leader of the Council	*Chief Executive*	*Deputy Chief Executive &*
		Executive Director Resources

Annual Governance Statement 2024

The Purpose of the Governance Framework

The Council's governance framework comprises all the systems, processes, values and culture by which the council directed and controlled its activities, and through which it accounted to and engaged with, the community. It enabled the council to monitor the achievement of its strategic objectives, manage risk and address areas of development identified previously.

The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control was based on a process designed to identify and prioritise risks to the achievement of the council's policies, ambitions and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

A robust governance framework has been in place for several years and in particular for the year ended 31st March 2024. This is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government (2016)' developed by the Chartered institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and the Senior Managers (SOLACE).

The Governance Framework

The International Framework: Good governance in the public sector states "*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes whilst acting in the public interest at all times.* The Chartered Governance Institute (UK & Ireland) states its belief that *good governance is important as it provides the infrastructure that improve the quality of the decisions made by those who manage organisations*. It is widely accepted that good quality, ethical decision-making builds sustainable businesses and enables them to create long-term value.

Throughout the year the council regularly reviews the effectiveness of its governance arrangements through performance reporting, internal and external audit services and the activities of the Executive, Regulatory and Scrutiny Committees. In March 2022 the Centre for Governance and Scrutiny (CfGS) carried out a review of the Council's scrutiny function and were very complimentary about our arrangements. Most of the CfGS recommendations, in the areas of training for officers and councillors and internal processes, were implemented during the 2022/23 municipal year. During 2023/24 we continued to deliver improvements developed from the recommendations, including a review of the Council's report writing template and the terms of reference of scrutiny panels and working groups. The review commented that *"Overall, the machinery of scrutiny works well, and several interviewees volunteered that scrutiny in Lincolnshire compares well with other councils".*

In addition to such work, the AGS is informed by senior management governance assessments which includes statutory officers' reports. Together these practices help to ensure there is regular corporate oversight and that our governance arrangements remain effective and sufficient.

The governance arrangements are considered against the definitions of effectiveness in table 1 below. As well as providing overall assurance about the council's governance arrangements, the methodology identifies any processes or areas where governance needs to be strengthened.

Definition	Description
Adequate.	There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support compliance with requirements of the CIPFA Principle, and the achievement of the council's aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework and/or achievement of objectives.
Some Development or Improvement Needed.	Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement, which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address challenges and improvement matters.
Key Development or Many Areas of Improvement Needed.	We have identified significant challenges in relation to the policies and processes, which may impact the effectiveness of elements of our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.

Table 1

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

Our Constitution established the roles and responsibilities for members of the Executive, Regulatory Committees and Scrutiny Committees together with officer functions. It included details of delegation arrangements, codes of conduct and protocols for member/officer relations.

The Constitution was kept under review to ensure that it continued to be fit for purpose, with any proposed changes being considered by the Audit Committee before being determined by Full Council.

The Constitution also contained procedure rules, standing orders and financial regulations that define clearly how decisions were taken and where authority lay for decisions. The statutory roles of Head of Paid Service, Monitoring Officer, and Chief Financial Officer (S151) are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures.

The Head of Paid Service is the Chief Executive and is responsible for all Council employees. The Deputy Chief Executive and Executive Director for Resources is the Council's Chief Financial Officer and is responsible for safeguarding the Council's financial position and ensuring value for money. The Chief Legal Officer is the Monitoring Officer and is responsible for ensuring legality and promoting exacting standards of conduct in public life.

Under Section 18(2) of the Children Act 2004, Local Authorities in England had a duty to appoint a Director of Children's Services. Local Authorities in England were also required to appoint a Director of Adult Services. Lincolnshire County Council had in place both Executive Directors. Alongside these officers, the Executive Director of Place and the Chief Fire Officer comprised the Council's senior leadership team.

The Council's Constitution set out how the Council operates. It stated what matters are reserved for decision by the whole Council and the responsibilities of the Executive. Decision making powers not reserved for councillors were delegated to chief officers. Each chief officer had a scheme of authorisation setting out the powers that others may exercise on their behalf.

The Members' Code of Conduct advised an elected member (or voting co-opted member) what conduct was expected of them and whether their conduct constituted a criminal offence. A Code of Conduct also existed for staff which set out the standards of conduct expected of all council employees and prevented employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether real or perceived.

The Council operated under an Executive/Scrutiny model, which had oversight of the formulation of all major policies, strategies and plans. The Executive also led on the preparation of the Council's budget. A number of overview and scrutiny committees and panels were in place to provide support and robust challenge to the Executive.

The Council was committed to promoting equality of opportunity, valuing diversity and eliminating discrimination.

Principle B: Ensuring openness and comprehensive stake holder engagement.

All 70 elected members represented their electoral division. Those not appointed to the Executive supported the development of policy and scrutinised decisions made by the Executive or by officers under delegated powers. They also review services provided by the Council and our partners. The Council's committee structure as set out in the Constitution includes a number of overview and scrutiny committees, one of which was the designated statutory health scrutiny committee responsible for reviewing proposals for significant changes to NHS services in Lincolnshire. The Council's overall policy is represented through its Corporate Plan.

Committee meetings were open to the public throughout the year, and most were webcast via YouTube and the Council's website. The agenda papers and minutes remain available on the internet.

The complaints procedure and a whistle-blowing policy and procedure are maintained and kept under review. These provided the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual complaints report analyses complaints received, their resolution and key lessons learnt. This was presented to the Audit committee in July 2023 by the Monitoring Officer. The Audit Committee has responsibility for the oversight of any investigation of complaints against members.

The Council has a whistleblowing policy, which encourages employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. In addition to a fraud and whistleblowing intranet page, the Chief Executive communicates this to all employees on an annual basis to make them aware of this policy. The policy is supported by a confidential whistleblowing hotline and email address. The Confidential Reporting Code also forms part of the Constitution.

The Council expects the highest standards of conduct and personal behaviour from councillors and employees. These standards are defined and communicated through codes of conduct and protocols. Our Communications team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations. Public consultation played a key part in the decision-making process, across the full range of Council services. A disclosure log has been included on the Council website, transparently including responses to Freedom of Information requests received.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits & Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Our Corporate Plan set out the vision and ambitions for the future, with our aim being to continue working for a better future. Through this during 23/24 we remained committed to our determined approach that in the coming years people and communities will have high aspirations, be enabled to enjoy life to the full, enjoy thriving environments and be supported by good value council services.

Throughout 2023/24 the work to deliver our commitment and corporate plan included the following delivery and achievements.

Support high aspirations

The Council continued to support families to enable children to thrive, with a strong universal offer delivered through our 48 Children's Centres across the County which families were able to access free of charge. We also saw participation in our early years' activities grow.
Apprenticeships remained an important aspect of the Council's Corporate Plan and People Strategy, with further long-term development for talent acquisition and talent pipeline management to aid retention and attraction.

Extensive work took place to secure a devolution deal for Greater Lincolnshire which will provide £750 million in government funding over the next 30 years, with £28.4 million allocated to 2024/25.

Enable everyone to enjoy life to the full
Continued enhancements were made to support our children in care. Robin House is now fully registered with Ofsted and the first few residents are settled in. Riverhead House progressed well with the Ofsted Registration process underway.

The Council secured £1.3 million to develop a close and connected service in Lincolnshire which will seek to settle care leavers and help them remain close to support and connect with their local communities. The offer brought together the council’s housing offer, proactive support, support mental health services and other substance use services to ensure young people have the best chance of securing and retaining excellent accommodation.

Four Mental Health Support Teams (MHSTs) for the Lincoln, Gainsborough, Boston and Skegness areas were embedded with MHSTs in Spalding, Grantham and Sleaford to be embedded over the next 12 months. Training commenced in January 2024 with the MHSTs in Lincoln South and North Kesteven. Lincolnshire MHSTs have the highest access of children and young people across the Midlands.

Create thriving environments
The Council continued to invest in business support activities with the opening of The Hub, and the reconfiguration of the Eventus business centre in Market Deeping which brought an additional 11,000 sq. ft of commercial business space to the market for small and medium business to rent on easy in – easy out terms. The council continued to support businesses and to encourage local businesses to win contracts with the council and build lasting relationships with local suppliers. Work continued in the delivery of recommendations for the Greater Lincolnshire Tourism Plan. This has included the review year 2 of the Tourism Commission work and planning for year 3. There has been a relaunch of the new walking area on the visitlincolnshire.com website and new experiences area included.

The Council has prioritised protecting our environment. Lincolnshire County Council is leading an EV charging pilot for the Midlands. The pilot will test charging solution for residents ahead of a wider rollout of charging infrastructure.

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 successfully adapted its approach to continue to deliver cost effective, sustainable services. Despite these cost pressures, Lincolnshire continued to remain in the lowest quartile for council tax (post adjustment for fire precepts) and made effective use of grants to maximise the impact for residents.

The transformation programme delivered against its objectives. During 2023/24 we realised:

- £1.1 million of budget savings achieved through Smarter Working deliverables including property rationalisation and targeted reduction of other budgets.

- Adults Improvement Project has moved to a strength-based approach and is on course for a budget savings of £900,000.
- 54 Children/young people have moved into a provision that supports their journey to independence resulting in cost avoidance of £5.633 million.
- £1.8 million of budget savings achieved through efficient working practices.
- Two children's homes built within Lincolnshire, returning children from out of county placements resulting in budget savings of £562,000.
- £378,000 of budget savings were achieved through the reduction of call & email contacts to the customer support centre.

Throughout 2023/24 the Council remained its commitment to engaging with residents through its engagement platform, Let's Talk where we saw strong interactions. Since April 2023, 47,000 visits have been made to the platform with nearly 13,000 consultation contributions made.

Principle E: Developing the entity's capacity the capacity of its leadership and the individuals within it.

During 2023/24 there were regular reviews and maintenance of appropriate employee structures and leadership; as well as benchmarking and aligning duties and capacity to operational delivery. Adaptable and inclusive approaches to resourcing encouraged appointments that were representative of our communities. Across the Council we delivered induction programmes, regular performance oversight and supported officers to ensure personal and professional effectiveness through our one to one and appraisal processes. There has been full use of the apprenticeship levy, learning and development programmes, business partner developments and supporting behaviour change through our culture and leadership programme.

From an Equality and Diversity perspective there was support and development of staff network groups to represent the diversity in our employee voice, and provision for a wide range of employee health and wellbeing support and initiatives working monitoring need, take up and effectiveness.

Communications came from a number of areas including newsletter updates from the corporate leadership team, manager briefings, staff virtual briefings, regular surveys and workshops to inform, support and coproduce resources which helped to drive change and improvements.

In relation to our Members, we offered quality training for individual committees and regular portfolio holder/ officer interaction to enable reciprocal understanding and collaboration.

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

The council recognised the importance of a robust and effective risk management strategy, framework and tool kit, which were in place and utilised across the council by services in the management of their risks. A central risk team supported the development and education needs for both operational and strategic risk development across all service areas and directorates. Strategic risks were reviewed throughout the year and reported to the Audit Committee on a quarterly basis. The council has an active and well attended Corporate Risk and Safety Steering Group, consisting of representation from all directorates. The steering group was a key contributor in supporting CLT to maintain their oversight of key risks and act as an assurance system on health and safety matters, emergency preparedness and resilience to crisis.

During 2023/24 our financial position was regularly presented in public reports alongside our service delivery performance. Despite continued financial challenges from growing demand for our services and cost increases, the Executive was able to utilise underspends and additional income to make additional service investments in the areas of key priority for Lincolnshire residents. This was whilst still delivering our core services and producing an overall underspend against our revenue budget for the year. These in-year investments made by the Executive, were scrutinised, and supported by the Overview and Scrutiny Board.

The Corporate Performance Team (CPT) delivered quarterly performance reporting to the CLT as well as Executive Members throughout the year. CPT supported the CLT monthly Performance Board where performance data from across the organisation was considered which included quarterly reporting against the Corporate Plan objectives. This board is mirrored in each Directorate Leadership Team (DLT) to enable data and insight to be appropriately considered and then escalated where appropriate to CLT performance board meetings. Each Directorate area was supported with bespoke performance data provided by CPT, with this being considered at a series of tactical and operational meetings and used to underpin DLT discussions. CPT also ensured that the organisation was compliant with all directorate statutory reporting commitments.

The Head of Assurance provided regular and appropriate risk communications across the council and reported risks and mitigations to the Audit Committee annually. Given the external climate the council operated within, Information Assurance played a pivotal role in supporting the secure, effective, and lawful use of information within our organisation. The team's work was fundamental in the management of information risk and improving accountability for the information used. Furthermore, it steered activity designed to meet our legal and regulatory obligations. This was achieved through a corporate framework which promoted a positive information culture, encouraged good practice, and supported informed decision making. Engagement with the Information Assurance team has increased year on year resulting in greater support through three strands of activity: data protection, records management, and information security. The demonstration of consistently high engagement, together with regular reporting to the council's Senior Information Risk Owner and Information Asset Owners improved understanding across key information assets and raised awareness of information risk. This resulted in the identification of opportunities to improve local practices and directly informed risk reduction through a variety of internal controls.

2023/24 saw regular communications to all staff from the Chief Executive around promoting a zero-tolerance culture towards fraud and held an interactive workshop for senior offices to raise awareness of potential red flag areas. All suspicions of fraud were investigated by trained fraud investigators and outcomes reported six monthly to the Audit Committee.

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

The Council's Corporate Plan set out the Council's objectives for a 10-year period. The Corporate Plan Success Framework (CPSF) set out key activities and key performance indicators (KPIs) which underpinned the delivery of the objectives of the Corporate Plan throughout 2023/24.

The CPSF included targets for the KPIs and milestones for the activities signed off by Executive Members. A quarterly progress report was presented to the Executive for scrutiny and discussion. During 2023/24 an internal audit review awarded a substantial assurance rating for this reporting process and stated "*Our review found the processes for data collection, performance indicator approval, quality assurance and monitoring of performance indicators to be working well with good communication between the Corporate Performance Team and Service areas. The performance data provides a sound basis for informed and timely reporting to management and Members to assist decision making. We found that the performance reports are actively used to assist cross council decision making and performance discussion within the CLT.*"

The council has a duty to demonstrate continuous improvement and value for money in how it delivers its services. All key decisions included comments from the Executive Director of Resources which considered the value for money of the decision under consideration and ensured the approved budget was able to meet any costs identified. The council remains in a strong financial position, with adequate budget and reserves to deliver the services it provides on an on-going basis. Budget planning process continually looked at areas for further efficiency and ways to reduce process and administrative burdens.

The council's financial strategy and medium-term financial plan, reflects known and emerging cost pressures and risks. All service directors confirm their budgets are adequate to provide the services they are delivering in line with corporate priorities. This included areas of most volatility and financial challenge, such as social care placements and school transport. Effective financial management was delivered through regular oversight from managers and senior leaders.

The Council's meetings of full council and the committees which discharge executive and non-executive or scrutiny functions have decisions published on the website and retained for public access. The publication of the Forward Plan for key decisions is made available to the press and public to ensure there is general public and Member awareness of Council plans and proposals before they are considered for approval. A limited number of reports are considered in private session only when the subject meets the prescribed criteria for confidentiality with the rationale stated in each report and recorded in the minutes.

Review of the Effectiveness of the Council's Governance Framework

In reviewing the effectiveness of the Council's governance framework, the following section outlines some of the assurances reviewed.

A review of agendas, minutes and decisions taken by the Audit Committee, Executive and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed.

A review of the Council's arrangements against the CIPFA Statement on the Role of the Head of Internal Audit. The review confirms that the Council's arrangements fully conform to the CIPFA Statement on the Role of the Head of Internal Audit.

A review of the 2023/24 Annual Report from the Head of Information Assurance which provides assurance that during 2023/24 information risks have been effectively managed and provides assurance as to the work undertaken for supporting these governance arrangements.

A review of the 2023/24 Combined Risk Report from the Corporate Risk Management Team, in conjunction with all the Executive Directors, which provided assurance that the strategic risks have been effectively managed and discussed from an assurance questioning session from the Audit Committee.

The Council continued to commission internal reviews and self-assessment activity to complement external assurances awarded by regulatory bodies. External reports are submitted through the Executive where senior officers are held to account for their performance, and any improvement delivery requirements. Action plans are routinely scrutinised for implementation and lessons learned. External assurance reports considered throughout 2023/24 are listed below:

- HMI Inspection and action plan.
- CQC Report and action plan.
- Ofsted ILACS Inspection report.
- Ofsted Regional Adoption Agency review.
- Home Office Prevent Report and action plan.
- MOJ Registration Services Report.

Compliance with the CIPFA Financial Management Code

CIPFA published its first edition 'Financial Management Code' for local authorities in October 2019. CIPFA considers that compliance with this code is mandatory for all local authorities although such compliance is not specifically mandated by statute. The code is essentially a best practice guide to financial management in the local authority sector. It covers the following areas of financial accountability and delivery:

- The responsibilities of the chief financial officer and the leadership team.
- Governance and financial management style.
- Medium to long term financial management.
- The annual budget.
- Stakeholder engagement and business plans.
- Monitoring financial performance.
- External financial reporting.

During 2023/24, an independent review of the Council's compliance self-assessment took place with the conclusion being that *'the council is operating in line with the requirements across all the criteria in regard to the substance of the arrangements and also the spirit in which they are intended.'* The review identified a number of potential developments across the standards within the code, but also gave praise to good practice demonstrated in our financial planning and monitoring.

We also review our financial resilience based on the published CIPFA financial resilience index and to date we have not identified any significant areas which would impact on our financial resilience.

Subsidiary Companies

The council had five wholly owned subsidiary companies at the start of 2023/24. During the course of the year, two of those companies were dissolved and removed from the Companies House register. The Council maintained shareholdings in other organisations but as a minor shareholder. The three wholly owned subsidiary companies are:

Transport Connect Limited (TCL). This is a passenger transport company incorporated in 2016. The Council has a nominated Director and shareholder representative who is the Chair of the Board of Directors. The Head of Transport attends all board meetings. Accountancy and HR services are independent of LCC. Management accounts are review by LCC financial staff on a monthly basis. An Annual Update report was presented to Highways and Transport Scrutiny in October 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 who is the Chair of the Programme Board and controls the strategic direction of the company as owner through reserved matters such as the approval of technical strategy. Monthly reports were provided to the portfolio holder throughout the year.

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 and began trading from January 2024 as Lincolnshire Public Law.

Statutory Assurances

Several officers at the council hold statutory roles, which are established in legislation and have specific responsibilities. It is important that assurances from these officers are included in this AGS to support its conclusion on the council's governance arrangements.

Chief Executive

The Chief executive is responsible for the overall corporate and operational management of the council. These responsibilities are considered within the context of this statement and the Chief Executive can confirm that proper arrangements have been put in place for the overall operation and management of the council.

The Chief Executive has no significant concerns to report and continues to evolve the organisational strategy to support the delivery of the council's priorities and ambitions. It has been a challenging year for the council with significant and increasing service demand and economic pressures and influences. These have been exacerbated by the cost-of-living crisis. As a result of our governance arrangements and practices, we have been able to continue our sustained focus on performance and support whilst effectively managing our risks.

Chief Financial Officer

The Executive Director of Resources is responsible for the proper administration of the council's financial affairs and confirms that the council's arrangements conform to Section 151 of the Local Government Act 1972 and that the Council complies with the CIPFA Statement on the Role of the Chief Financial officer in Local Government (2016). The council has robust financial arrangements in place and is able to demonstrate the effective holding of sufficient reserves to enable the council to manage the risks it faces. A robustness statement (from the S151 Officer) was presented to Council alongside the budget proposals for the year, which highlighted risks and mitigations to be considered alongside the budget proposals the Council approved.

The S151 officer is also the delegated scheme manager for the Lincolnshire Local Government Pension Fund, and ensures the same governance is applied in this area.

Monitoring Officer

The Monitoring Officer is required to report to the council any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice, in according with Section 5 (as amended) Local Government & Housing Act 1989.

The current Monitoring Officer joined the council in November 2023, part way through the Statement's reporting period. Therefore, while the Monitoring Officer cannot provide assurances over the full Statement period, they can confirm that during 2023-24 the council's Monitoring Officer raised no concerns regarding the outcomes of the governance review undertaken to produce it.

Internal Audit Annual Opinion

The Head of Internal Audit opinion states "I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the frameworks of governance, risk management and management controls are **adequate** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, the audit team have worked with management to agree appropriate corrective actions within an appropriate timescale for improvement. Weaknesses in individual school internal controls are isolated incidents outside the direct control of council officers arising from the delegated powers given to Governing Bodies."

External Audit

External audit provided an unqualified opinion on the statement of accounts for 2022-23 and did not identify any significant weaknesses in governance arrangements, financial sustainability or economy, efficiency and effectiveness.

In line with the Accounts and Audit Regulations, the commencement period for the exercise of public rights to inspect the draft accounts for 2023/24 should include the first ten working days of June 2024. Due to technical issues arising from the upgrading of our financial system, we have not been able to meet this requirement, and will look to make the 2023/24 accounts available for public inspection as required as soon as possible.

Significant Governance Issues

A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or result from a poorly managed risk.

Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective;
- It has resulted in the need to seek additional significant funding to allow it to be resolved;
- It has required significant diversion of resources;
- It has had a material impact on the accounts;
- It has been identified by the Audit Committee as significant;

- It has resulted in significant public interest;
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer;
- It has resulted in significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

No significant governance issues have been identified.

Areas for improvement

Two areas for improvement were identified through the effectiveness review. There is a recommendation that an action plan is developed for each area identified for improvement and progress reported to the Audit Committee on a regular and timely basis.

1. Lincolnshire has approximately 165 maintained schools with no systematic audit process in place. During the year three schools received negative assurance ratings. It is recommended the Council instigates a systematic assurance process for all schools.

2. The reliability of assurance processes across the directorates and service area was reviewed, one area where insufficient independent assurance was evidence related to IT. During 2023/2024 a significant investment was made to provide a number of staffing appointments which has provided the setting to enable improvements in the reporting, development, progression and external assurances required for this critical activity.

Conclusion

Taking into consideration the content of this report, the contribution from statutory officers and the external reports shared, we are satisfied that the Council's corporate governance arrangements in place for 2023/24 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2016 and as a result, deem the governance arrangements to be adequate.

GLOSSARY

A	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: • '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. • '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). • 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value. • 'Heritage Assets' are of an historic nature, including buildings and collections, which are held by the Council. • 'Intangible Assets' are without physical substance. Examples include computer software and licences.

Glossary

	Audit of Accounts	An independent examination of the Council's financial affairs.
B	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.
C	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…	…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. …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.
	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.
D	Debtors	Sums of money owed to the Council but unpaid at 31 March. 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.
	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	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. Straight Line basis is the method of calculating depreciation by charging the same amount each year over the asset's life.
	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

E	Employee benefits	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered. 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.
	Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
F	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…	…Assets are a right to future economic benefits controlled by the Council. … Liabilities are an obligation to transfer economic benefits controlled by the Council.
	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.
G	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	Impairment	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	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. • 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. • Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.
	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	A present obligation to transfer economic benefits. Current liabilities are payable within one year.
	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

		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.
M	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).
N	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.
O	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.
P	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

		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	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: • the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and • the accrued benefits for members in service on the valuation date.
	Property, Plant & Equipment	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. • Land and buildings. • Vehicles, plant, furniture, and equipment. • 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). • 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 & coastal parks, and picnic sites). • Surplus assets are non-current assets held by the Council but not directly occupied, used, or consumed in the delivery of services. • Investment properties are land or buildings held to earn rental income or for capital appreciation or both. • Assets under construction are non-current assets which include expenditure capitalised for work in progress in

		respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets. • 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.
	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.
R	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	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. Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

		Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes. Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
	Retirement Benefits	Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. 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. Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because: • Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or • The actuarial assumptions have changed. Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period. Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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. 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. 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).
	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.

GLOSSARY

	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.
S	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.
T	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	Useful Life	The period with which an asset is expected to be useful to the Council in its current state.